

PSA aims to overthrow lawyer "monopoly"

by Rae Mazengarb

THE PSA aims to revolutionise the legal profession.

If its plan is implemented unions and other organisations will provide members with a complete legal service which will render obsolete the traditional relationship between single client and single law firm or lawyer.

The PSA is examining a scheme for a group legal service, which, if feasible, will be referred to the PSIS for implementation.

The FOL and the NZ Drivers' Federation are among other groups which are interested in the concept — one that is fast gaining ground overseas.

The idea was floated last year following the announcement of steep increases in the minimum scale of lawyers' conveyancing fees — a move which prompted then chairman of the PSIS board of management, Jim Turner, to speak out publicly against



THE LAW

for such a scheme because of its membership of over 180,000 could employ its own lawyers and support staff to work full time on its members' problems.

Interest in the scheme heightened recently and PSA staff will soon consult with interested lawyers to place the initial research and recommendations "on a solid footing".

PSA secretary W.B. Tucker is keen to see the scheme developed but admits there could be problems as far as the profession is concerned.

Flaus outlined to Turner and Turner "compelling reasons" for establishing a group legal service plan.

Traditionally consumers of legal services are unorganised in facing the highly organised legal profession. Hence the decision to raise legal fees was made with no public input save the contribution of the Department of Trade and Industry.

The profession has made no effort to economise and provide alternative means of

A LONG period of detailed control has fostered many restrictive arrangements in the private sector. Such arrangements should now be abandoned or severely modified. Thus we recommend that Government should exert pressure on trade and professional associations or societies to desist from practices which limit competition and, if necessary, take action to outlaw them.

If private enterprises will not permit competition, so that market forces can operate

SOURCE: ECONOMIC STRATEGY 1979 — NZ PLANNING COUNCIL.

delivering legal services, nor has it faced effective pressure to do so. A consumer's legal service set up by and for the PSIS could provide that pressure without threatening the profession's plea for independence, and at the same time deliver to PSIS members a cheap and comprehensible legal service.

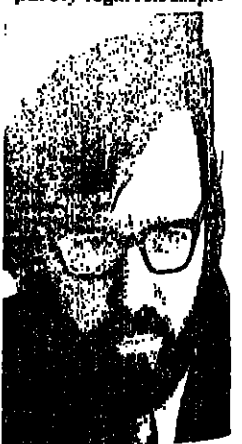
reasonably effectively, then they cannot expect freedom from government action to protect consumers and promote the public interest. The changes recommended here will operate with greatest effectiveness in an economy which is expanding with sufficient stability to engender confidence in business that the expansion can be sustained. This reinforces the point made earlier that we need a concerted set of policy changes, each designed to reinforce and sustain the effectiveness of the others.

company formation and work — is amongst the simplest tasks in legal practice and hence high charges are justified. A group legal service scheme could be by the hour — if at all.

The bulk of PSIS members fall into the income group the middle of those whose incomes are low enough to qualify for State-provided legal aid and those who can easily afford legal fees.

Group legal schemes provide "preventative" programmes, that is, programmes which identify potential problems before they develop. Fear of high "legal check-ups" under present lawyer-fee arrangements, the PSIS is outside law firms to provide mortgages and to provide legal services, as unions. The same mortgage could be handled at less cost by the group legal service. Lawyers of the culture would be attracted to a scheme which would also have capacity to undertake research in matters of concern to the group's needs.

A group legal service, expand, in time, beyond purely legal role and product.



JIM TURNER, a current legal professional position.

Flaus noted that with a range of other services for members for example, through the employment of counsellors for personal, matrimonial or other problems.

The scheme is certainly bringing reaction from the profession. "My weakness is that I don't depend on fees," said Flaus referring to his position at the Crown Law Office. Flaus could come under fire for suggesting that the present system of private law firms is outmoded.

"I put up the idea. That's involvement. I'm keen to see it become a reality, provided there is full discussion on it," said Flaus.

Several other lawyers have also stated they would like to see some changes made in all would resist a new structure.

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'Green' oil offers escape from OPEC but beet looks best

by John Draper

CHRISTCHURCH motorists will be driving on sugar beet if the Government accepts the recommendations of a report it will receive soon.

Scientists at Canterbury University are already turning the beet into ethanol — a synthetic fuel — for less than it costs to import petrol.

In a report to the Energy Research and Development Committee, the scientists will recommend the building of a pilot production plant immediately, and a full scale plant soon after.

Ethanol is not new. The Germans used it in World War II. So did the Australians and the Swedes.

Brazil is now the undisputed world leader, using sugar cane residue as the source material and building car engines to burn an ethanol-petrol mixture efficiently.

Scientists say most cars would not notice a 10 per cent ethanol petrol mixture. Many would still run happily on a 15 per cent mix with little adjustment.

Ethanol is an alcohol, produced in a similar way to whisky from farm crops or timber.

Cheap oil had made the process unattractive since the war. But thanks to OPEC, ethanol is climbing back into commercial favour.

Wood — 60 per cent of which is wasted in logging and milling — appears to be the obvious source.

Dr Brian Earl, at Canterbury University, says the economics of producing ethanol from fodder beet outstrip wood.

When commissioned it will use wood chips, sawdust, newsprint and cardboard to make up to five litres of methanol an hour.

Project scientist Dr Derek Whitworth says the objective is to do as many experiments

He estimates a plant with a 200 tonne input of dried matter daily would cost \$6.5 million to build and would produce 23,200 tonnes of beet-derived ethanol a year.

A wood-using plant would cost \$10.5 million and produce only 15,900 tonnes of ethanol.

One 200-tonne beet-using plant in the Canterbury area — beet needs class 1 or 11 soils — would supply enough ethanol to provide a 15 per cent mix with petrol supplied to the Lyttelton storage dump.

Lincoln College experts have calculated the beet could be grown within a nine kilometre radius of the processing plant by farmers devoting less than one-fifth of their land to its production.

Farmers could be induced to grow the crop for a return of \$40 a tonne delivered to the plant.

"To compete wood would have to be delivered at \$7 a tonne," Earl said.

"We calculate it would cost at least \$20 a tonne to collect and deliver assuming the wood is free."

Meanwhile in Rotorua the Forestry Research Institute is about to produce ethanol from timber.

Work began on the project more than three years ago and the Government gave approval for the pilot plant in 1977.

When commissioned it will use wood chips, sawdust, newsprint and cardboard to make up to five litres of methanol an hour.

Project scientist Dr Derek Whitworth says the objective is to do as many experiments

Sugar firms swallow bitter reversal

by Belinda Gillespie

SOURNESS has hit the sugar industry as the world has lost its sweet tooth.

Since the "sweet days" of 1974, output has gone up by 14 per cent, far outstripping demand.

A surplus of millions of tons has been dumped on the market.

The industrialised countries have moved away from sucrose — the traditional sugar produced from sugar cane and beet — to substitutes such as corn syrup as less sugar is used in the home and more in the food processing

industries.

If there is a future for the sugar beet industry in New Zealand, it may be as a building block for petrochemicals, not as a food.

Sugar can be turned into biodegradable feedstock for textiles, plastics, cosmetics, and detergents, as well as a fuel alcohol substitute or supplement.

The world's first petrochemical facility is scheduled to come on stream in Britain this year.

A forecast for the future: We used to eat sugar — what a waste of energy!

as possible to determine the most economic material or mix of materials to use.

Chemical hydrolysis removes up to 70 per cent of the sugars from wood, enabling the fermentation process to begin.

It is the extra chemical process which makes wood produced ethanol more expensive than from beet.

So far the institute's plant has cost \$200,000 to build and Whitworth estimates "a useful sized plant could be built for \$2 to \$3 million".

Methanol from Maui gas is indisputably the cheapest energy alternative New Zealand has to crude oil.

The Government is already committed to a programme of adding 15 per cent methanol to certain fuel oils by the mid 1980s.

Methanol from Maui will be cheaper than imported crude is now, half the price of ethanol from wood and still ahead of ethanol from beet.

Methanol derived from wood is also relatively cheap, though still more expensive than from Maui.

But wood produced ethanol might still have a future.

Victoria University scientists are investigating the manufacture of xyliol, a natural sugar produced from timber which research shows substantially reduces tooth decay.

Finland and Japan have control, but its production in New Zealand could produce ethanol as a cheap by-product as well as boosting exports.

Road tests in Christchurch are already pointing to an ethanol-methanol-petrol blend as being the best fuel.

Maui gas will be running out early next century making energy farming an attractive alternative. And the Energy Research and Development Committee report suggests there will be a need for ethanol and methanol production to supplement more from 1990s.

A demonstration programme in the 1980s with the objective of having one or two commercial plants operating by 1990 will be highly desirable, the report says.

The two most economic processes are fodder beet to ethanol and radiata pine to methanol.

In the short term methanol plants could use forest waste but the report recommends that planting should begin now to produce a feedstock of grown trees in the late 1990s.

SHOULD the company car be sacrificed to conserve fuel? Editorial — Page 4.



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In the thrall of some defunct economist

by Colin James

"WE have understood the unique nature of New Zealand, we have carefully analysed both the opportunities and the pitfalls before us and in the light of all this we have evolved our economic plan."

"The challenge now is to persuade those with entrenched ideas or vested interests to adopt similar pragmatism."

So said the National Party in July last year in Years of Lightning - the official party "record of the achievements of the National Government since November 28, 1978."

What the party's plan was, has never been made entirely clear, but Years of Lightning said restructuring had already begun.

"As a result of this (1978) Budget, New Zealand's new direction is now firmly established, the restructuring has begun and the benefits are already evident," it said.

The way some people in the party are talking now, it seems that might have been something of an overstatement.

As evidence, we could offer a new backbench MP, Ian McLean. Just a couple of weeks or so ago he was still expounding his "more market" theory of economic salvation.

And outside the House, a lot of party members share his approach. They are waiting and hoping for some pronouncements from the Government that will convince the electorate, especially the private enterprise bits of it, that there will be structural changes in the economy.

The Government, too, seems not to have been convinced that the restructuring was in full swing in July, last year.

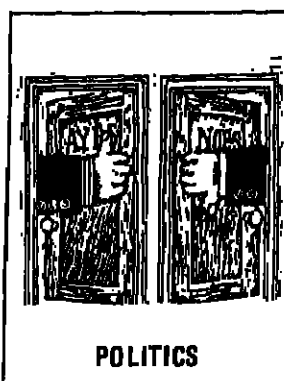
Take the Prime Minister, who Years of Lightning said "had a reputation for going straight to the heart of any problem, explaining to the people with devastating candour and solving it in double quick time."

"For him, the economists held no fears," the writers of Years of Lightning gushed on, "he was exactly the kind of leader New Zealand needed."

Right on. After all, he had been Minister of Finance for six years from 1968 and the party's economic expert from 1972 to 1975, not to mention Minister of Finance again from 1975 on.

If anyone in politics should know exactly how the economy needed to be restructured, it should be he. Twelve years of thinking about it should be enough.

You and I, and the Treasury



POLITICS

and the Trade and Industry Department, and the Manufacturers Federation and the Federated Farmers waited with - in my case, at least - baited breath for our futures to be revealed.

But the economic plan turned out to bear more than a passing resemblance to the emperor's clothes.

After three months of pressure from economists, pressure groups, his own departments and the Organisation for Economic Cooperation and Development, the Prime Minister made it clear that he had had no restructuring plan at election time, let alone last July.

He did this in a backhanded way: berating ivory tower dwellers and newspaper editors for expecting answers in three months. It was what a man newly installed in office in December might have said, rather than someone of his long and broad experience.

We have had some movement: relaxation of price control and a commitment to encourage foreign investment. There is also recognition of the need to build up agriculture.

But of what bits of the economic structure are to be altered, so far not a whit.

The furthest the Government has gone is to rule out McLean's "more market" approach (that is, letting market forces decide the extent and the nature of the restructuring).

In a revealing passage in his speech to the Wellington branch of Society of Accountants recently, the Prime Minister outlined his preferred method of encouraging resources out of "undesirable" industries if this was done:

"The best way would be to start by deciding which industries were undesirable, tell them so and then help them change, rather than attempt to do the job under the pressure of a damaging or potentially disastrous series of events."

At this point it is worth recalling another passage in Years of Lightning. It quoted John Maynard Keynes, best known for deficit financing of

government activity, as saying: "Practical men, who believe themselves quite exempt from any intellectual influences, are usually the slaves of some defunct economist."

It is not hard to produce names of defunct economists who have argued the virtues of fine tuning, or economic intervention, or state direction of economic resources through licensing, incentives, controls and state support.

It is also not hard to name defunct economists who have argued the opposite virtues. Of them, the most famous is probably Adam Smith, who taught:

"The natural effort of every individual to better his own condition, when suffered to exert itself with freedom and security, is so powerful a principle, that it is alone, and without any assistance, not only capable of carrying a society to wealth and prosperity, but of surmounting a hundred impertinent obstructions with which the folly of human laws too often in-

cumbers (sic) its operations." By Sid Holland's day in the late 1940s, the National Party had loosely translated this as: "More business in government and less government in business."

Most National Party members I know would still at least pay lip service to this. But there is not much evidence that their Government subscribes to it.

I can remember running into a fuming Peter Wilkinson (then Postmaster-General) just after the Cabinet had rejected out of hand any suggestion of charging for local telephone calls - before a taskforce looking at ways of putting Post Office financing on a more businesslike footing had had time to report.

Aside from probably contributing to Wilkinson's subsequent blood pressure problems, the Cabinet's pre-emption pinpointed the supremacy of politics, rather than business, in government.

Transport Minister Colin McLachlan proved the point again recently when he



COLIN McLACHLAN... user pays.

klashed any suggestion of the Cook Strait ferries pulling out of Picton (which just happens to cast 1500-vote in the marginal Marlborough electorate).

Yet, ironically in the light of the Picton incident, a more businesslike approach is surfacing in McLachlan's portfolio.

His Railways Department, under pressure from the huge

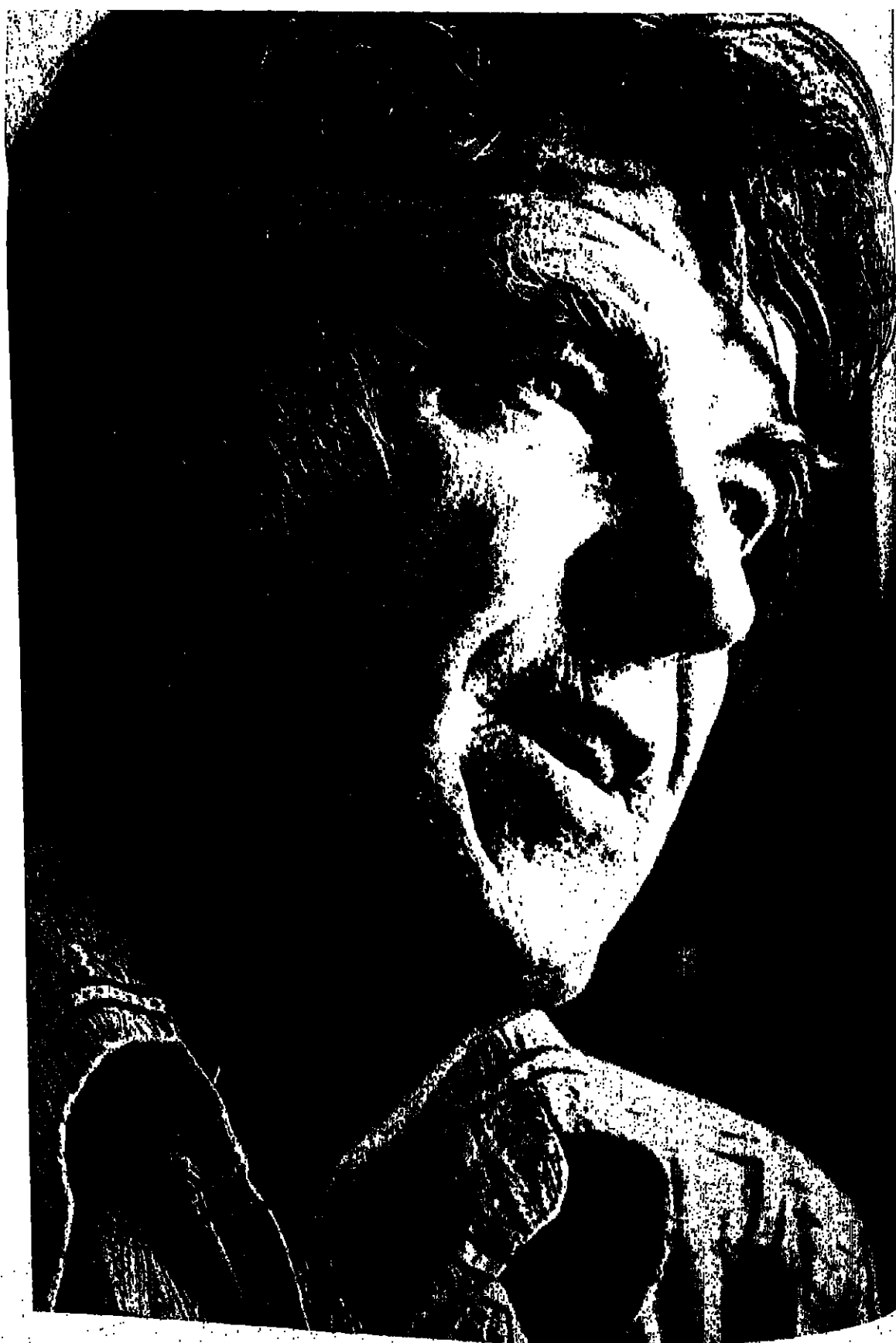
Government deficit and the road transport industry, has identified its unproductive services.

Its comment in "The Change" that "the public is entitled to know just how much people benefit from the operation of these services" raises the possibility of a more businesslike approach to present muddled mixtures of profit and social service.

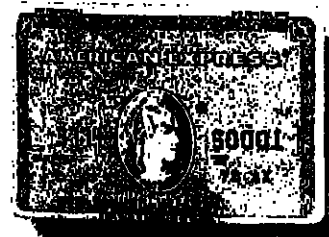
I am not an admirer of McLachlan (few people are). But, whether by accident or design (and, if by design, whether by his or someone else's), transport during this term has been moving along the user-pays, common-sense criteria line the party policy than it ever showed signs of doing under Peter Cook.

It is an intriguing irony that this instinctive, if unacknowledged, private enterprise should, for reasons other than policy, be the object of a baying of the "more market" bloodhounds out in the ranks.

"It's more impressive to fail on a difficult objective than succeed on a modest one."



American Express, in conversation with Cardmember Sir Edmund Hillary.



Sir Edmund ("call me Ed") Hillary: Mountaineer, Adventurer, Explorer, Author, Businessman, Nepalese Bridge Builder, Chairman of the Himalayan Trust. Attended Auckland Grammar where, despite the motto (Per Angusta ad Augusta - Through Narrow Paths to the Heights) he remained uninspired. Eventually discovered mountains, conquering the biggest of them all in 53. Became the youngest Knight of the century. Other remarkable achievements include driving a convoy of farm tractors to the South Pole.

A.E: I read the other day where someone said that if you are going to dream of impossible things you might just as well dream of big impossible things.

E.H: I agree actually. A challenge you're confident of overcoming is hardly worth starting. Why bother if you are quite confident that you are going to overcome it? The real challenges are ones that extend you to the utmost. Where there is always doubt as to whether or not you are going to be successful. Then, when you succeed, if you do succeed, you have a great sense of achievement. It's more impressive to fail on a difficult objective than to succeed on a modest one.

A.E: Have you always had a clear picture of your goals?

E.H: No, I don't think I did. People say "When did you first really get your ambition to climb Mt. Everest?" Well, I didn't get my great ambition to climb Mt. Everest until a year or two beforehand. I'd been climbing for many years before I even thought of the prospect of going to Mt. Everest.

A.E: You didn't tell your mother in law that you were going to climb Mt. Everest?

E.H: No, no. You know, there was old Sir Smith who was one of the great mountaineers and wrote lots of books. He wrote in one of his books that when

he was a young child his parents took him across France. His mother was holding him in her arms, suddenly on the horizon, he saw a great white mass of mountain peaks whereupon he duly rose up and pointed in the direction of these peaks said "go gaga goo goo". Which meant (supposedly), "I'm going to become a famous mountaineer". Well, that's really a lot of rubbish. People tend to try to give you ideas and a future far before you ever had these firm convictions.

A.E: At what age did you realise you were going to become famous?

E.H: It wasn't until I actually climbed Everest that it suddenly dawned on me that I was going to be in the uncomfortable position of being famous. Before Everest, even on the mountain, I had never really even thought about it. We were much more innocent in those days. Nowadays, the modern athlete is aware that if he is very successful there can be economic, substantial economic benefits, from what he does.

A.E: If Ed Hillary had climbed Everest in the '70's, the 33-year-old Sir Edmund Hillary would have been a very marketable item indeed. Are you glad or sad that you escaped that kind of marketeering?

E.H: Very glad. I have a little bit to do with it anyway, but I have been able to keep it to what I regard as a reasonable minimum. There are advantages of course, as far as the fame business is concerned in raising funds for projects. In things of this nature, it certainly has been very beneficial. But I don't envy the great athlete of today who gets involved in the tremendous commercial rat race.

A.E: Did Neil Armstrong's giant step, I wonder, create as much excitement for people as Ed Hillary's? I remember looking at the moon and thinking, "Hey, there's somebody up there", and the people around me were walking along looking down at the pavement.

E.H: There's a tremendous difference in the challenges and adventure of today. It's not only the achievement of the individual but the thrill of those back in Houston pushing all the buttons. I think it was probably more fun in our day in that you were the one who had to make the decisions - you weren't just a part of a very highly qualified technology which was thrusting you almost into position.

Foreign-backed fishing dream flounders

by Rae Mazengarb

THE New Zealand fishing industry, which, with foreign backing, sailed off optimistically into the 200-mile economic zone, looks like it may founder.

Waterlanders' demands over the unloading of the joint-venture fishing boat the Wesermunde raises an immediate argument between waterlanders and fishermen and processing workers. But those within the industry say the issue is crucial to the future of all joint venture operations.

If the vessel returns to Germany - one of the options under consideration - it is unlikely to return to complete its year-long charter.

Awaiting the outcome with concern are several other joint-venture operations whose boats are due to be handled at local ports in the near future.

Without the financial backing and technological expertise of the foreign partners in both deep-sea fishing and marketing, the industry is

at risk, said Dan Stevenson, director of the joint venture company High Seas Fisheries Limited.

If the dispute continues the company - aside from tipping the catch over the side - is considering transshipping at sea or returning the Wesermunde to Germany.

Transshipping would be a costly operation with the company having to charter a suitably-fitted vessel. The company has informed Government it will apply for permission to do this.

Abandoning the joint venture would be a last resort, Stevenson said. But it could happen "if we can't work and unload in an efficient way to maintain the quality".

He emphasised the need for skilled personnel in the unloading operation since the fish needed sorting and, in some cases, further processing.

"Unless we can do this using fishermen and fish processors, the whole viability of the industry is at risk", he said.

But other forces may be

at risk, said Dan Stevenson, director of the joint venture company High Seas Fisheries Limited.

Japan, a major market, began stockpiling fish in 1978 in anticipation of being shut out of traditional fishing grounds. The move contributed to fish prices soaring around the world and gave cause for great optimism.

In anticipation of prices remaining high, companies took the Government's advice and invested in catching and processing less popular varieties of fish.

But fish prices last year dropped across the board. Since then the local industry has been faced with a decaying market.

Stevenson rejected the suggestion that the joint venture programme was doomed from the outset.

"We are satisfied that there is a reasonable market in Japan, America and Europe", he said.

High Seas Fisheries have the ability to pack and present the product in the manner the market wants, unlike some of the other local companies, he said.

The company has a German agent in the EEC to do the marketing there.

Stevenson views the present downturn in prices as only temporary.

High Seas Fisheries is a New Zealand-German consortium involving R C MacDonald Ltd, Southland Frozen Meat and Produce Export Co, and Hansaatische Hochseefischerei, of Germany.

The 3500 tonne stern trawler Wesermunde is on charter for 12 months for research and commercial fishing in southern waters, and is registered as a New Zealand fishing vessel.

It was intended that the Wesermunde be joined by two or three sister ships next year, if the operation looked good commercially.

But after some 50 days at sea, the boat returned to port with a disappointing 250-tonne catch.

According to the Ministry of Agriculture and Fisheries publication, Catch October 78 issue: "Bluff will be the base port (for the joint venture) and

the estimated total catch for the charter is from 2500 tonnes in the first year to 150,000 tonnes by the third year."

Just four further cruises are planned for this year and it looks as if the tonnage will fall far short of these projections.

But a seafoods division official of R C MacDonald said that despite the good weather, it was known that the summer months were a poor fishing time, considering both the area in which the boat was fishing and the species it was catching.

Martin Cawthorn, one of the four New Zealand scientists working on board with West German scientists, said the charter was aimed both at testing and modifying gear for use in New Zealand waters and assessing the fish stock for the whole area.

The German Government has underwritten the research for the first year to the tune of \$3 million.

Because of this extensive research programme the number of actual fishing days were effectively halved.

The Campbell Plateau was also an area with unknown

fishing potential.

Therefore, the company had no idea of the size of catch to expect.

To argue that the union problem might have been timely was to ignore the fact that a major portion of the vessel's time was intended to be spent merely looking over the fishing grounds, Cawthorn said.

The Wesermunde is back out at sea and will continue fishing while awaiting the outcome of the dispute.

But at a cost of \$15,500 a day to keep on the high seas, the company can ill-afford the problem to remain unresolved for too long.

The vessel has a 1380 cubic metres freezer hold and a further 700 cubic metres of fish meal storage space, and can carry more than 800 tonnes of fish.

According to Stevenson, while the future looks uncertain for this vessel, agents in the Far East are waiting for samples of the processed fish.

Much of the processing has been experimental because the demands and requirements of the overseas markets have not yet been established.

Petrol saving efforts hit station viability

by John Draper

PETROL saving motorists are rapidly sending service station proprietors broke.

Some stations, particularly those operating seven days a week, have lost more than 80 per cent of their petrol sales, and a similar proportion of the lucrative accessory trade.

Hundreds of casual and part time workers have lost jobs as stations close from 7 p.m. Friday to 6 a.m. Monday.

Many are near to closing down for good as cash flows dry up, the Motor Trade Association claims. Executive officer Trevor Bates says the association never agreed to bear the whole burden of the Government's oil saving measures.

"We agreed to co-operate and bear our share," he said. "Our original concept was that commercial users would be ordered to take a percentage cut back as well as the farming

community and the private motorist."

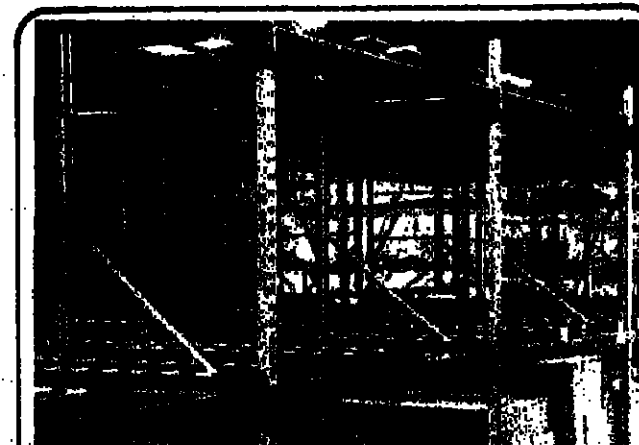
"But there are no carless days yet, there are no restrictions on farmers and the commercial operators and industry have been asked only to make voluntary restraints," he said.

"The net result is that we are subsidising everyone else."

The Association is working on an alternative package which it intends putting to Energy Minister Bill Birch this week.

Bates refused to go into details but he dismissed suggestions that service stations might impose some sort of rationing on motorists.

"We want to try and equalise the burden," he said. The alternative scheme is likely to include mandatory restraints on industry, commercial vehicle operators and on farmers as well as the rapid introduction of the carless days scheme.



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Re-emergent PM

by Colin James

THE PRIME Minister's "low profile" seems to be wearing off.

There he was taking a sideswipe at the Japanese in the process of relieving Colin McLachlan from the task of announcing a tender for new railways suburban rolling stock. And, in other speeches, sideswipes at his advisers.

He has also taken up again one of his favourite sports: news media bashing. The Sunday News' anonymous political writer got a round in the Prime Minister's Truth column last week and the Evening Post's editorial line a poke in the eye in a speech.

Television reporters got their share for daring to take two cameras to record him

boarding a Government plane (in the middle of the fuel crisis) to go to Auckland from Paraparaumu when Wellington's Rongotai airport was closed. Later in the year there would only be one camera, he said ominously.

But there have been personal interviews with people "...who I know will deal with it in an even-handed way."

One such was Cedric Menzies of the Press, to whom he said this: "We keep the political side and the organisational side as far apart as we possibly can."

It will be interesting to hear what the party's dominion councillors, who are meeting this week with George Chapman's future on the line, make of that.

Bob Edlin

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private sector engaged in humanitarian work, shuffling

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MEMBERSHIP				DATE OF BIRTH	
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PREVIOUS ADDRESS				HOW LONG AT ADDRESS	
NAME OF COMPANY OR EMPLOYER		OCCUPATION	LENGTH OF SERVICE	ANNUAL SALARY	
				\$7,000-\$10,000	
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Fare proposals left hanging in the air

OFFERS by New Zealand to liberalise substantially its aviation policy were knocked back in recent talks by United States negotiators.

The United States wanted acceptance of its deregulation policy written in to the New Zealand-United States bilateral agreement on aviation.

Although New Zealand was not willing to accept the right of the United States to designate as many airlines as it chooses, the freedom of those airlines to set their own fares, and the loss of local control over carriers' activities generally, are negotiating

team did offer some major concessions.

First, New Zealand was prepared to accept one public charter operation under certain conditions.

It was willing to surrender control over the number of flights and the fares to be charged, except for operations from California where a country-of-origin rule would apply.

New Zealand would also approve fares out of New Zealand for the charter operation.

This offer was rejected out of hand by the United States side, which insisted on full acceptance of its "open slate" public charter plans.

Second, New Zealand officials were prepared to change their attitude on air fares.

Despite being advised that New Zealand wanted to discuss Continental Airlines' proposed fares, United States Civil Aeronautics Board negotiators insisted that they were not ready to discuss rates, and the matter was left hanging in the air.

Under the present bilateral agreement, both countries have to approve fares of all

airlines in both directions.

Previously, all carriers charged the same fares, but New Zealand is now willing to shift from this stance to fit in with United States policy objectives of greater competition among airlines.

Once again, a country-of-origin rule would apply. New Zealand has already received agreement from Pan Am and Air New Zealand for common north-bound fares, and has turned down Continental's proposals.

Both existing operators have also agreed on common south-bound fares (although these are different from the north-bound fares), and New Zealand told the CAB it would approve reasonable fares for Continental even if they were different from those of Pan Am and Air New Zealand.

The only catch is that the fares must not be uneconomic, or predatory on the existing operators.

Under the present agreement, New Zealand is entitled to evidence that the fares are not predatory. But under changes to the bilateral agreement suggested by the United States, New Zealand would not be entitled to such evidence, and would instead

itself have to show that the fares were contrary to the public interest.

The changes sought by the United States substitute for the present mutual approval clause, the effect of which would be that anything is in unless both countries say it is out.

New Zealand would have to give up its present limited rights of control over airline activity.

The United States did not offer New Zealand anything in return for accepting the changes outlined, apart from ideological assertions that the local consumer and the tourist industry would benefit.

Air New Zealand would still not be allowed to carry United States domestic traffic from Honolulu to Los Angeles (or through to New York).

Deregulation and competition among airlines does not extend to foreign airlines competing in the United States domestic market.

One New Zealand official commented: "It makes a mockery of their claims of free enterprise."

Nor did the Americans try to justify Continental's fare proposals beyond asserting

that they were cost-plus.

Asked to provide evidence that Continental's cheap fares would not exist without the CAB, Pann Am and Air New Zealand, the CAB declined to provide any details.

The CAB negotiators insisted that under the agreement, as they would it rewritten, the fare would be by an airline with nothing to do with the CAB.

New Zealand officials maintain that with provision or marketing way in either country, the start of Continental services in May, 1982, be designed to have the airlines until the lucrative summer season approaches.

Although vehemently, by Continental, the persistent suspicion of local travel industry that the May start-up of Continental's services will be met.

By the end of last year, airline had not given approval for fares in direction, and the CAB officials' talks has been in a curious position.

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Continental plans to pick up

NEW ZEALAND officials are treating seriously plans by Continental Airlines to use United States domestic fares to get around the New Zealand Government's refusal to approve its cheap fare plans.

Continental is due to file a new fares application following the breakdown in recent New Zealand-United States aviation talks, and New Zealand's refusal to approve fares sought by Continental.

It is likely that Continental will seek approval only for fares from Pago Pago to New Zealand, using American domestic fares from Honolulu to Pago Pago to complete its South Pacific fare package.

New Zealand has no control over fares from Honolulu to Pago Pago, because both points are part of the United States. But the proposal to use



PAGO PAGO... a proposal to undercut Air New Zealand

those fares to undercut Air New Zealand and Pan Am's agreed fares is being treated as a breach of the bilateral agreement.

Because a serious loss principle is involved, New Zealand could exercise its right under the agreement to ask for

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US aviation: spreading its wings worldwide

A REPORT to the United States Civil Aeronautics Bureau supports widespread suspicions that the new United States aviation policy is designed principally to benefit American airlines.

The report says the aim of the series of negotiations the CAB is conducting with foreign countries is to give the United States the right to designate as many airlines as it likes to fly from the United States to those countries.

The information is contained in a seven-page memo to the CAB from the board's director of pricing and domestic aviation, Michael E. Levine, in which he discusses negotiating strategies for northern and southern Europe.

The tenor of the report and its recommendations support the widespread feeling in many smaller countries that the new United States policy of deregulating the airline industry is just a disguised way of letting large United States airlines dominate the world market.

The memo is dated February 28, 1979, about a fortnight before the United States and New Zealand resumed negotiations on

aviation without success.

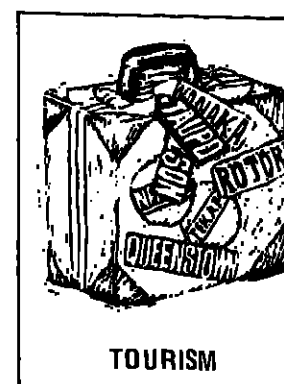
The report identifies various strategies for picking off countries one by one for penetration by United States airlines carrying the low fare banner.

Once playing a leading role in the market, those airlines will then be able to influence more strongly the shape of the market and its ultimate profitability.

With world tourism growing by an average of 8 per cent a year and trans-Atlantic business by an average of 15 per cent, pursuing an objective of gaining market share before immediate profit maximisation makes sense.

Levine says: "Multiple designation (without capacity or route restrictions) will naturally tend to create the market forces that will lead to competitive prices. This is because some carriers in trying to establish themselves in a multiple competitive environment will prefer pricing strategies to service strategies. It will be politically difficult for a government to keep rejecting low fare offers."

Stripped of the jargon,



TOURISM

Levine is saying once in a free market, airlines can drive prices down despite any wish by governments for a more controlled environment.

The low fare device is therefore aimed at securing a market share—both of real growth and the existing market—before profit taking through market dominance.

The report identifies a 20 year time span for achievement of CAB objectives in most market places.

In brief the method is to preach deregulation of bilateral agreements aiming to do away with controls by governments on capacity (frequency of flights and numbers of seats) and on air fares.

Once a foreign government has consented to this, United States carriers can operate pretty much as they choose, initially sharing traffic with the airline of the host country but eventually aiming to dominate the market.

Typically European countries have one international airline, rather than the several flying international routes from the United States.

Competition among European gateways—and the consequent need for those countries to avoid diversion of traffic to prevent damage to the local tourist industry—is identified as one useful strategy for forcing low fare agreements on European countries.

Levine says this northern summer the British will be under intense competitive pressure to maintain their

principal gateway, London, now that the United States has got cheap fare agreements with Holland, Belgium and Germany.

"The United States may have the maximum bargaining leverage and most favourable political climate to orchestrate a denunciation followed by successful negotiations resulting in a competitive agreement," Levine says. Pan Am is willing to play along.

Talking of southern Europe Levine says that cut price moves by Olympic Airlines of Greece result from "their well founded fear that other gateways will attract traffic from Athens".

The recently concluded cheap fare agreements with Germany, Holland, and Belgium, and the existing competition between France and Italy, together with the worries of Southern Europe about missing out, will create "a de facto competitive regime", Levine says.

The United States is also pushing for public charters to be accepted by foreign governments.

Essentially these are scheduled services with the tickets sold in advance by wholesalers on behalf of the airline. The wholesaler buys a bulk allocation at a discount guaranteeing the airline revenue, and it then retails the seats (still at a discount) to the customer.

However, but once countries accept these as part of deregulation, Levine says, "the United States could inter-unilaterally authorise the retailing by airlines of charter tickets to the public... the simple result would be an open increase in scheduled competition".

Many countries fear that competition would be at the

expense of their smaller national airlines, and that the United States plans to end large numbers of scheduled services as they operate at the present time by this device.

Two rules are being offered in the new agreements. The one preferred by the United States is the mutual disapproval rule which means any practice is all right unless both governments move against it.

In effect it gives the United States a veto on vetoes by other countries, and therefore supports any action a United States airline might take regardless of the damage that action might have for the other country's airline or local tourist industry.

The second rule is the country of origin clause where each country controls fares and capacity out of that country.

Australia and New Zealand have these sorts of agreements with the United States. In both cases differential fares are in force making it cheaper to fly into the country than out.

Controlling the local market place may or may not be a successful venture depending on the availability of cheap fares in a nearby country.

The report goes on to support denunciation as a useful strategic tool. Denunciation involves howling down another country's opposition as illiberal, old fashioned, restrictive and anti-consumer. Levine suggests the tactic could be applied to negotiations with Australia, New Zealand, and Japan.

Levine notes approvingly the Department of State argument that the first country to be denounced should be one of a predominantly European background and not one "very much less economically

developed than the United States".

This is to avoid charges of racism and imperialism.

Levine says: "If we first denounced an agreement with one of our European brethren other nations more remotely related to the United States should correctly interpret this as a signal that the United States is now willing to denounce bilateral civil aviation agreements. The symbolism of this first act, of and in itself, should be helpful to other negotiations in progress in other parts of the world, especially Japan".

The report continues that the United States is more concerned with market results than with written agreements: "We do not feel impelled to reach unsatisfactory written agreements just for the sake of concluding agreements."

"It occasionally will be necessary to meet with other countries for foreign policy reasons unrelated to civil aviation, and with some cultures it may be necessary to hold interim social meetings as a prelude to meaningful negotiations."

While the whole document is not directly talking of New Zealand, its intent is clear. The United States should pursue its policy of deregulation on a country by country basis, and then its airlines will be able to penetrate the cheap fare market place building up the momentum of the free market drive as it continues.

The fear is that in a free market as envisaged by the United States, power and profits will flow to the stronger at the expense of the weaker, opening these countries to further economic penetration and exploitation by unscrupulous United States based multi-nationals backed by the might of the United States state machine.



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Months of Radio Pacific razzamatazz fizzles

RADIO Pacific's April Fools Day revolution was postponed last week just two days after Auckland papers carried half-page ads stating, "the revolution starts Sunday".

After months of razzamatazz build up from managing director Gordon Dryden and a share price increase from 50 cents a share to \$1.20, Dryden told staff: "The revolution has been postponed due to a lack of big guns."

It is now set for April 8. The big guns lacking were the new station's transmitter and ancillary equipment which did not arrive in Auckland till last Wednesday.

The \$80,000 worth of electronic gear was shipped from Dallas in plenty of time. But the Texans packed the gear into a box suited for a 747 — seven inches too big to fit through the cargo doors of the DC10 that was to take it from California to Auckland.

The transmitter had to go back to Texas for repacking. When it finally arrived in Auckland the Radio Pacific board decided there would be insufficient time to install it and give the staff enough training time for the April 1

opening.

Some Radio Pacific staff are old broadcasting hands. Others have had no on-air experience.

The opening was not the only postponement. Dryden promised to launch New Zealand's biggest circulation newspaper to coincide with the opening.

The printer's strike put paid to those plans after the first issue had been more than half set.

The paper was postponed because Radio Pacific directors didn't want to start off as strikebreakers.

Dryden had already been scooped on that score when Roger Smith, of the *Howick* and *Pakuranga Times*, launched his 350,000 circulation giveaway *Real Vain*. An advertiser's throwaway, it has a bigger circulation (350,000 versus 245,000) than Dryden's proposed paper. And, it beat Dryden's deadline by more than a month.

Dryden says he is getting good advertising support for the station. But there have been other setbacks.

Radio Pacific failed to work a contra advertising deal with

South Pacific Television... contra, it seems, is granted only to other state bodies, such as Radio New Zealand, now that SPTV is up and going.

Ad agencies have been sceptical of Radio Pacific, partly because the concept of a talk station is an unknown quantity, and partly because the recent Radio Pacific promotional evening held for advertisers left them full of drink and food, but singularly unimpressed.

Critical consensus was that the presentation was unprofessionally long, and didn't give advertisers an accurate picture of just what the new station was all about and what audience it would reach.

Rating and audience reach are paramount to ad men, and the agencies are unsure of just who will be listening to an all-talk station. Radio Pacific's target audience and share are still unknown.

Dryden said Radio Pacific would be included in the next BCNZ survey. In addition the station might contract its own

McNair survey.

To exacerbate matters, Radio Pacific seems headed on a collision course with the Association of Accredited Advertising Agencies (the 4 As).

Radio Pacific ad men have been upselling 4 A's agencies by going to clients direct. These agencies fear this will deprive them of their 20 per cent commission for placing advertising.

Complaints have been lodged with the 4 As and will probably be heard at its April meeting.

Dryden conceded his ad men had been approaching clients direct, but denied that these clients had been offered rates minus commission.

A lot of the brouhaha stemmed from a finance house wishing to sponsor Tim Bickerstaff's Sports Talk programme. The advertising agent handling the finance house's account felt it was being cut out when Radio Pacific went direct to the client with a proposal.

Dryden said the client has



GORDON DRYDEN "a lack of big guns."

now signed up for the sponsorship contrary to the agency's advice.

Radio Pacific's enemies are gloating with comments, like: "The higher profile you adopt, the bigger bang you get when you fall over."

But friends point to Dryden's record: Like the prom pony, good or bad, he is turning up, they say.

Radio Hauraki binds itself with profit jump

Special Correspondent

JUST too successful for its own good — now Radio Hauraki finds red tape has it in a real bind.

A combination of Government bureaucracy and the legacy of its uncertain early years has blunted the Bidwell-Friedlander-Myer success story in turning the Auckland private radio station's fortunes around.

The unexpected disclosure that Hauraki Enterprises Ltd was in strife with the Department of Trade and Industry over its profit levels caught company chairman Peter Dew and the Aqua Securities Board faction completely by surprise.

The company's sharp response — a heavy lean on permanently beleaguered Trade and Industry Minister Adams-Schneider — was the latest in a long line of political and legal approaches, which are symptomatic of what could be Hauraki's biggest short-term worry.

That seemed to be the



THE MEDIA

reaction likely from shareholders and perhaps even the Stock Exchange Association to revelations of matters germane to Hauraki's operations, which had been kept under the tightest of wraps.

For Charles Bidwell and Michael Friedlander, the two key money men in the now disbanded Aqua consortium that bought in and bled out Hauraki, the situation is even more anomalous.

The accounts told their own story — a 450 per cent profit

jump between the 1977 and 1978 years, on a turnover increase just under 50 per cent.

The result was exactly what the shareholders had been asking for — the \$275,128 net profit and the \$1,288,916 turnover put the first-established of the privates up in the same success league as Radio Avon.

It was achieved by disciplined management and stringent pruning of overheads — a cutback process that to many non-business observers seemed too severe especially in such areas as the station's news coverage.

But it dispelled suspicions enshrouding the Aqua group's shadowy presence — suspicions that were further fed by the Bidwell-Friedlander spearheading of the rescue buy-in operation at Radio Windy, Aqua and nominees' interest in picking up parcels of Avon shares, and the persistent rumour of an informal tie-up with Sydney media magnate Kerry Packer.

The Aqua influence also spawned the company's name change — the "Enterprises" tag showing Hauraki's determination to diversify out of the finite profit area of single-station private radio into potential money-making sidelines such as live promotions.

And then — sparked off by a chance meeting between new company executives and the department to find out official requirements, and sharpened by the apparent failure of the former management to reply to inquiries or file profit returns — came the investigation.

And that's where the success story came unstuck. Hauraki, under the price and profit control regulations, was bound by its performance in the years from 1971 to 1974.

Those were years of soaring ratings, management and staffing ups and downs and poorer returns than the company's potential really merited. The average net profit was 8.5 per cent — and that, according to Trade and Industry, is what it would have

to stay held down to.

Benumbed departmental officers could have good excuse for feeling sore at the company's sharp response to the newspaper disclosure and the internal witch hunt it set off.

After all, they believe they were sympathetic to the company's plight and that the way was open for the station to have applied for a higher ceiling far earlier in the piece. Largely by its own procrastination, it didn't — and the rules are the rules.

It has been revealed, however, that the company has now been allowed a 32 per cent profit ceiling — and 32 per cent obviously is the figure the department believes the company actually made in profit for the 1978 year.

The annual report, however, fixed it at 21.8 per cent, although there is no indication Hauraki has turned down the department's liberalised figure and insisted on the lower 21.8 per cent ceiling.

At issue, of course, are interpretations of what are allowable costs that do not directly affect productivity and profitability.

It appears that since the investigation started Hauraki has begun capital expenditure programmes which it hopes will be allowable as bona fide non-profit-bearing expenses.

The 10 per cent difference between the estimates of profitability could well be explained by the company's outlay on a computer for its accounting, costing somewhere between \$80,000 and \$100,000.

The emphasis on consequences also differs. The department apparently sees its duty as being rigidly fixed by law, with the compassion option left over to the Commerce Commission or other administrative or judicial processes.

Hauraki and other privates — Radio Avon in particular — see the bureaucrats pursuing a test case that might be intended to open the floodgates and bring private radio financial affairs right under Government scrutiny.

The department's suggestion for amends of arrears — estimated to be

round the \$300,000 plus mark — extends to a temporary lowering of advertising rates until matters are settled.

This raises another question — Hauraki's peak 30-second rate is \$42, well under the peak 12B rate of \$50.

If officialdom forces Hauraki to drop its prices, the whole competitive balance between the stations (and other less successful in the Auckland area) would be thrown.

This is the argument the company put up to Broadcasting Corporation chairman Ian Cross, who has agreed to drop informal backing to Hauraki's behind-the-scenes campaign to hasten along the removal of "category B" profit controls.

The BCNZ, which has been meticulous in its adherence to the rules, doesn't want to be forced to drop 12B rates to follow Hauraki, especially in the only time zone (breakfast) in which it had a clear ratings lead over the private station.

If Prime Minister Muldoon acts on the hint he has given, that controls will be lifted, Hauraki hopes this will persuade the department to drop any charges that might be laid against it.

The key issue now is: when? If Muldoon holds it over to his Budget the processes may be too advanced for the matter to be dropped quietly, as all parties would seem to like.

It now looks as if Hauraki might have overplayed its hand by putting the heat on Adams-Schneider's department.

His angry defence of the department against claims of yet another leak would hardly have endeared Hauraki to him as he moved to press his Cabinet colleagues for an earlier lifting of controls.

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Computer games attract businessmen

ENTRIES for the International Computers (NZ) Ltd-National Business Review-sponsored Business Management Game, 1979, are running well ahead of the entries for this time last year, according to game administrator, Dr Michael Jameson.

"It seems that more companies and individuals are coming to realise the executive training benefits of business management games where the skills required to run a business in today's complex economic conditions can be learnt as realistically as possible," he said.

As well as many new entries, there are many entries for this year's ICL Business Management Game coming from companies which have had teams competing in the past. However, Dr Jameson said, it was interesting to note that the team members were different.

"Obviously company executives who have taken part in previous years feel that the experience gained has been worthwhile and they are now encouraging other executives to take part and learn from the game."

Last year's winner of the national game, a team from Putaruru comprising a veterinarian, a cartage contractor and a town-supply dairy farmer, showed that the game also took into account entrepreneurial skills.

Keen to see how they would fare in the realms of big business, a number of farming teams have entered this year and they, and the other teams which are new to the game, should make it an interesting contest, Dr Jameson said.

The game is run on a computer financial model which has been enhanced over the last few years to keep pace with rapidly-changing methods and conditions of today's business world. Particular emphasis is placed on cashflow management, which is obviously highly appropriate to today's conditions.

Competitors have to make decisions on a wide range of

factors including pricing, marketing, transport, research and development expenditure, use of consultants and financing production. Four or five teams are pitted against each other in a concurrent series of games, and the decisions they make interact with the other teams' decisions. The winning team in each game is the one accumulating the highest tax-paid profit over the course of the round. If conditions are particularly adverse, the winner may be the team making the smallest loss.

As administrator, Dr Jameson has a number of control factors which can be varied to change the economic conditions imposed, the effect of pricing, marketing expenditure, and so on. These are set to follow approximately the economic trends indicated to competitors as being likely to occur during the round.

"I usually try to make the game conditions parallel the actual or predicted business conditions in New Zealand at the time. Contestants, like many New Zealand business people at present, could find the going pretty tough this year," Dr Jameson said.

The game consists of three rounds played by mail which run from April until November. The winners of the individual games in each round go on to the following round, making a fresh start with different economic conditions in each round.

The teams are divided into four regional contests covering Auckland, Central North Island, Wellington and the South Island. By the end of the third round, the regional finalists will be known.

The four teams will then take part in a day and a half national final held in Wellington at International Computers' offices, where processing of the decisions will be carried out on the company's ICL2904 computer.

As regional finalists, all four teams receive a cheque for \$200. The winning team at the national final receives a cheque for \$1000.

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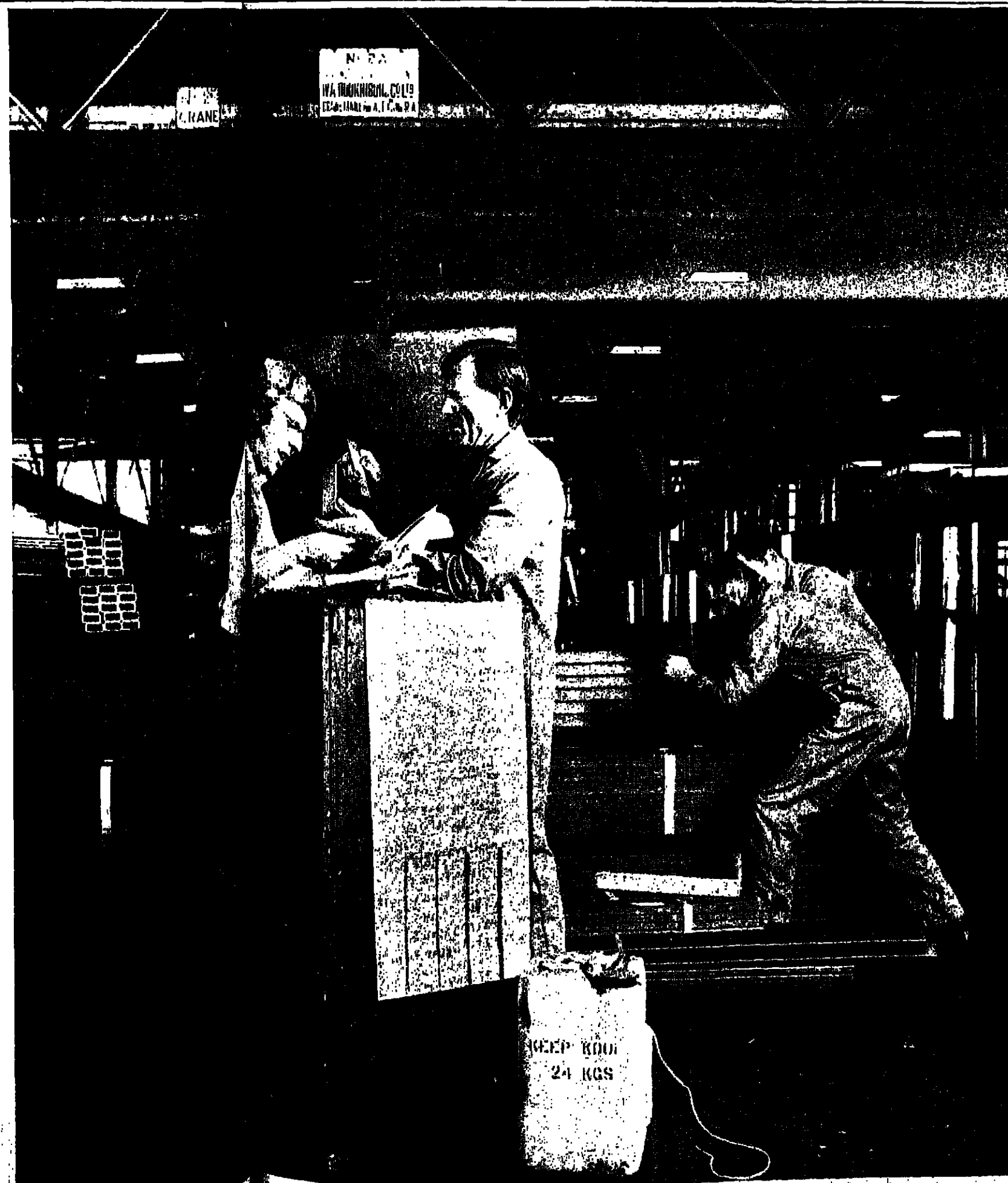
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NBR BUSINESS WEEK

Oil price hike reflects into NZ trading

by Peter V O'Brien

THE OPEC oil price increase has implications for New Zealand beyond the extra \$130 million a year which Energy Minister Birch says will be the additional cost of overseas funds on an annual basis.

The reaction of overseas money markets to the announcement will also influence all our trade activities and the balance of payments. The fluctuating movement of the United States dollar against other currencies affects our external reserves, due to the method of payment for both imports and exports.

When oil prices go up, dollar weakening against these



the United States dollar traditionally weakens against other currencies, particularly the yen, Deutschemark and, depending on other relationships, sterling.

The present situation, of a dollar weakening against these

currencies, is the reverse of what happened three weeks ago. At that time the Bank of Japan undertook a massive exercise to stop a rise in the dollar against the yen, but failed to achieve its object.

The Bank of Japan in one day sold \$100 million on the Tokyo foreign exchange market, compared with its previous record intervention of \$200 million in 1977. The total traded in Tokyo on March 14 was \$1100 million, compared with a record for the market of \$1300 million traded in November, 1978, according to news reports from Tokyo.

United States oil companies were taking steps to cut back

deliveries of crude oil to Japan, and it was felt that inflationary pressures on the Japanese economy would push price movements beyond the 5 per cent guideline which the Government has set for 1979.

Japanese authorities suggested that the oil companies' move could lift the country's oil bill from its present level of \$24,000 million to even greater heights.

Reports from Tokyo said that the dollar had gained a total of 32 yen since October, 1978, when it was trading at a record low of 175.50 yen.

The position has changed since then. The OPEC decision, possible movements against

the United States by Arab countries, and the non-existent Carter energy policy, altered the movement last week.

On March 26, the dollar fell from 206.33 yen to 205.90; from 1.8640 marks to 1.8585, while sterling moved from \$182.0430 to 2.05 in about three hours. Gold also moved up against the dollar. The dollar was again under pressure the following day, after a slight recovery.

While these movements may seem only the affairs of the esoteric international money markets, they have some effect on our balance of payments position.

The overall value of the New Zealand dollar is set according to a formula which weights a "basket" of currencies, based on our trade relationship with the countries concerned.

But we pay considerable amounts of United States dollars for imports, although not all the goods are of American origin, and we receive another sizeable dollar sum for export business.

The latest figures for the Overseas Exchange Transactions, published by the Reserve Bank, cover the year

ended in United States dollars, and 25 per cent of total current account payments.

The table gives the best

The figures show the currency fluctuations may cancel each other out in relation to export receipts, which are fairly evenly spread among the major trading partners (United Kingdom, Australia, United States, Japan), but the import situation is different.

Payments to the United States are expressed in a country of currency, rather than country of the gold origin, although it has been suggested that the New Zealand authorities might move to publish country of origin figures in the official statistics, as opposed to the Department of Statistics balance of payments formation.

Oil imports are the cause of the hefty amount paid out in United States dollars. Most of the oil imported to New Zealand is settled in United States currency, and therefore a price hike lifts the amount

AREA	IMPORTS (\$ million)	EXPORTS (\$ million)
United Kingdom	594.9	750.0
Australia	655.7	432.2
United States	852.3	518.9
Canada	73.3	101.0
Japan	353.6	518.8
EEC (excluding UK)	194.0	268.6
Other OECD	74.3	92.5
Asia-Germany	223.8	534.6
Latin Am-Caribbean	11.8	80.0
Other	31.0	267.4
TOTAL	3,064.6	3,871.1

ended December, 1978. In that year 14.1 per cent of export receipts were paid in United States dollars, and 14.6 per cent of total current account receipts. "These figures exclude 'invisibles' transactions."

On the import side, 27.8 per cent of total payments were

dollars needed to cover the total import bill.

A deterioration in the dollar's position means that after allowance for trade weighting, this country may have to find less funds to cover the payment, against the actual percentage movement in oil prices imposed by OPEC.

Last year NBR's Economic Correspondent suggested that New Zealand should start to oil when the United States dollar falls. That advice was not heeded, but it would have saved considerable overseas exchange.

Clarification

IN an article last week regarding a new rule to cover off market sales of shares, the case of the Ceramco-Brierley Investments deal with Tappenden Holdings shares was given as an example of an off market sale, which should be reported to the Stock Exchange.

It has been advised that the sale of Brierley's shares to Ceramco was made on the same day as the announcement to the Stock Exchange of Ceramco's bid for Tappenden, therefore meeting the requirements of the proposed new rule set out in the article.

The point is taken, in that case, but other examples of such transfers illustrate the need for a new procedure.

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66... the prospect of being eaten for breakfast is far greater in Auckland, New Zealand, than in any place I have seen in all the world.

Investment Property by Bob Jones. \$9.95 in all good bookshops and via P.O. Box 144, Wellington.

Auditors need to count angels on pinheads

By Peter V O'Brien

THE March issue of the Accountants Journal carries a statement which is more mind-boggling than most of the material appearing in that august publication.

An article titled Current Cost Accounting: The Audit of Fixed Assets, by J G Ackerley and B R Dixon, of Waikato University's Management Studies department, includes this sentence:

"It is inevitable that the auditor's final judgment of financial reports will be based on more subjective evidence

than in the past." Given the present state of the accounting and auditing arts (overlaid on the supposedly "scientific" elements) that comment opens up wonderful possibilities for the creative people who are tired of regularly signing certificates that "proper books of account have been kept ... the statements have been prepared in accordance with the provisions of the Companies Act 1955, so as to give a true and fair view (our emphasis) of the state of affairs and the results of the company dealt with thereby

so far as concerns the members of the company". Businessmen sitting down for annual battle with auditors who come to meetings armed with lists of questions and requirements, can well shudder at the prospect of "more subjective evidence" to reach the "auditor's final judgment of financial reports".

Much of what appears in the accounts of companies at present is based on a mass of "subjective evidence" to the extent that numerous balance sheets can be drawn up from the same raw financial data.

Valuations, provisions, treatment of doubtful debts, leases, movements in reserves (whether items are revenue or capital) and other issues happily engage auditors in financially rewarding hours, while testing the patience of executives and directors. The latter may have many motives (some occasionally ulterior) to insist on the prevalence of their point of view. The auditor's final sanction is to tag the accounts, although there are cases around the

world where the watchdog is prepared to keep his teeth out of sight. Those cases can finish up in the courts, often to financial debilitation of said watchdog.

The authors of the Accountants Journal article set out various alternatives for the valuation of fixed assets under current cost accounting procedures. They have made a valid assessment of treatment of different classes of assets. But their comment on "subjective evidence" is followed by this intriguing passage:

"This judgment must be developed and improved with education in CCA procedures and experience in the clients' financial affairs and operations. The end being sought is relevant and reliable financial information and auditors must strive to meet this end".

Few people in industry or commerce would disagree with the end, apart from the rogues who pop out from various holes from time to time, but that "improving judgment" brings several

possibilities to mind. Some will horrify the more neolithic members of the profession who can be heard moaning in their gins that the education system is already producing people who are "useless", "impractical", and with "ideas above their station", particularly the products of university commerce courses.

The ancient university disciplines could be set for a revival in student numbers. Various professors of philosophy, classics, linguistics, music, and theology will be pleased to develop the traditional regimes for the development of judgment in the budding auditors. We may even see a revival of Rhetoric Aesthetics, and Poetry in the interests of a well balanced profession.

(A good dose of arithmetic, spelling and reading would not go amiss either, but there is little chance of those tedious subjects gaining popularity in the near future).

The final development could be a revival of the system of mediaeval disputation — a

practice which already has modern overtones in some of the discussions between auditors and company representatives.

Given the nature of the argument about how many angels could stand on the head of a pin, the development would be appropriate. A recent British reference points out that the disputation had nothing to do with a sterile intellectual exercise. It was based on the view that any stand must be either finite or infinite. If the number could be calculated it suggested a limit, and therefore led to the proposition that such beings were material. That would have profound impact on the beliefs of those days.

Since auditing attempts to make finite the (almost) infinite possibilities of treating financial data, and now apparently requires more subjective evidence and judgment, the curriculum advisers have new scope in their attempts to train accountants.

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"23 markets in 36 days... Fast. Tough. Successful. Thanks to Thomas Cook."

Multi-national travel can be a real headache. If you let it. And, for a long time I did. After all, my travel agent seemed to be doing everything right, a small shop but he was a good bloke and looked after everything himself.

You meet a lot of people on business trips. In fact, it's not uncommon to bump into the same faces at the different airports around the world.

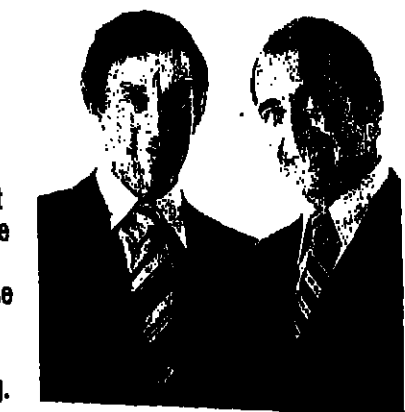
That's how I found out about Thomas Cook. There was this one particular bloke I repeatedly crossed paths with. The thing about him that hit me first was that he was never ruffled. Never rushed. Always fresh as a daisy

and, apparently, powered through business.

The other thing I noticed was his luggage labels. Always Thomas Cook. There were days when it seemed I was spending more time chasing around after visas and the like than I was attending to my business.

I'd be hastily re-briefing myself for the next appointment as we boarded the aircraft while he would be preparing to fully enjoy the forthcoming flight. One day we were sitting together in the departure lounge bar at Heathrow and we got to talking. I broached the subject of business travel.

"How do you do it?"



Thomas Cook

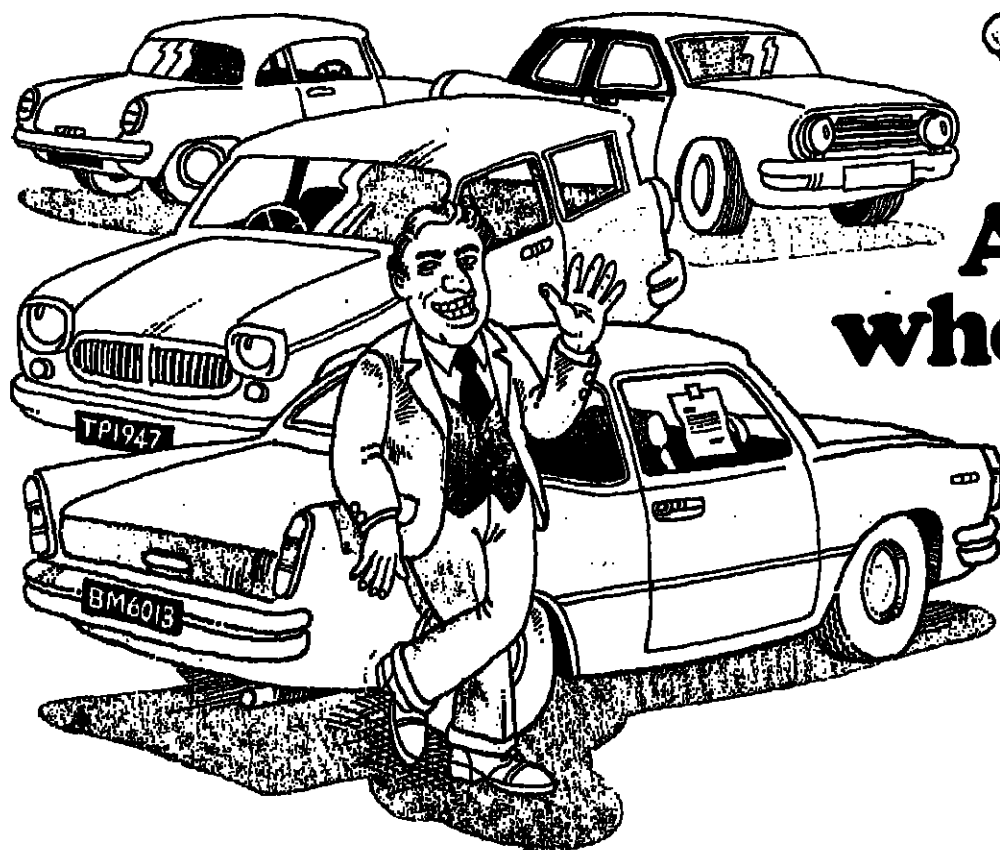
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Ask your adman who gives you the big discounts and how much.

Multi-Net. We'll tell you too. From 10 up to 25% depending on which network you need.

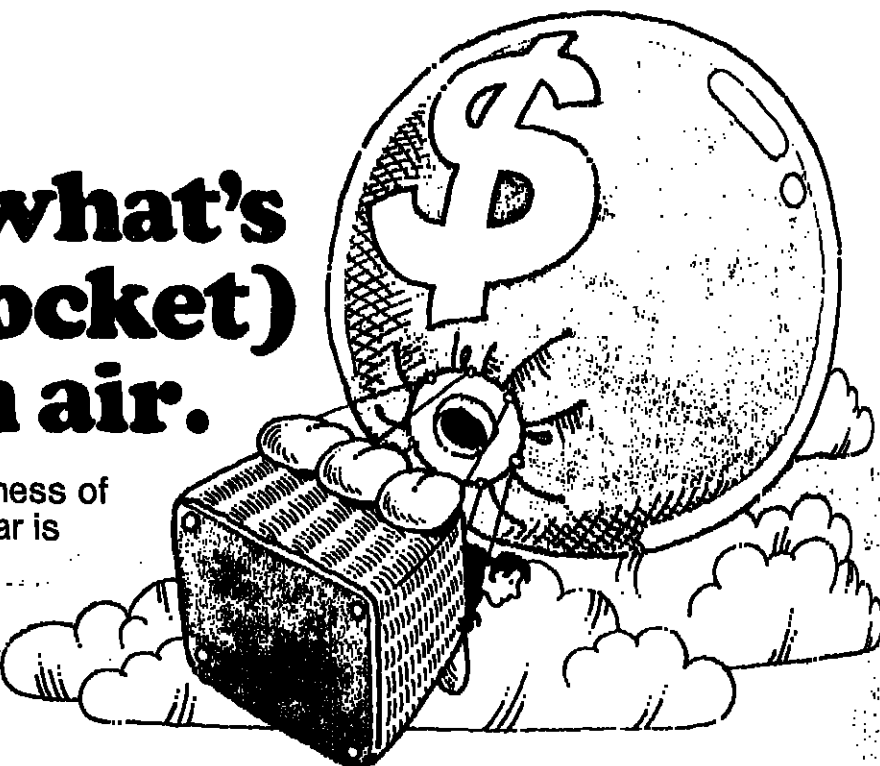
Ask your adman what's lighter (on your pocket) than air.

Multi-Net. Compare the cost effectiveness of radio and you'll see your advertising dollar is well invested.



Ask your adman if he wants talk back or feed back.

Multi-Net. Results are what count and we make sure you get them. We've got a lot of time for you.



Fresh view of state situation

WILSON LODGE media director, Roger Bilson, has been in the analysis of television situation in an Ogilvy and Mather media bulletin and in Admark on March 1978.

Rather than a 25 per cent increase in the efficiency of television One rate, there has been a 1.2 per cent increase in efficiency, Bilson argues. "If income is going to analyse television performance and the maths involved must be correct."

He said the effect of a water proportion of spots fixed into certain breaks fixed the probability of being placed in that break on a state buying basis. "But, this increased proportion of fixed spots can only affect the probability and, therefore, efficiency of rate, by 3 per cent. Further, as peak time rates have only had a 7.7 per cent increase, the 10.7 per cent then equates to a 1.2 per cent less than inflation."

"Therefore, in constant dollars, television, on both channels incidentally, is more efficient a medium than in 1978."

The main factor was that Television One was limiting fixed commercials to 30 per cent of any one break — not 30 per cent of all commercial airtime, Bilson said. "This is a point which Television One has always made as clear policy. Therefore, the probability of being placed in that high-rated commercial break still exists."

"By weighting commercial break probabilities, it is not difficult to establish this 3 per cent reduction in efficiency. And, the subsequent effect on the quoted 29 rating percentage point average is less than one rating."

"Though probability formulae can be complicated, the maths involved in this exercise are very basic."

Bilson said he had checked the calculations by utilising three alternatives and in each case had achieved the same 3 per cent.

He commented on two other aspects covered in the report on O and M bulletin.



ADMARK

• "It would have helped in the analysis of Television One versus Television Two cost efficiencies, if the correct Television Two rate had been used. Television Two rates were published prior to TV1's, on December 8, and show fixed programme to be 4.8 per cent higher than quoted, at \$1090."

• In a somewhat more conciliatory tone, he referred to Graeme Hunter's comments on not buying channels by station share. Bilson said he appreciated the intent, but countered by saying: "Agencies look at station shares to gauge any channel disparities, but I have never yet met any media planner who does not examine the efficiency of the channels before making any decisions."

PR's uphill grind

WELLINGTON members of the Public Relations Institute were a little put out by the Wellington Regional Planning Authority — and understandably.

When Mike Veal, local branch chairman of PRINZ, found out that the authority was inviting submissions for a public relations programme to promote Wellington as a tourist destination, he also discovered that the submissions were to be sought only from advertising practitioners. Further inquiries revealed that, in the opinion of Wellington's mayor Michael Fowler, "ad men had better contact with the news media", a statement which did not reflect well on his understanding of the PR function.

A letter of protest went forward from PRINZ on behalf of its members. The result is

that all member consultancies are to be approached to ascertain whether they would be interested in making submissions. Those expressing interest will be asked to submit a profile of their expertise and qualifications to handle the assignment. The authority will then prepare a short list of consultancies and agencies, which will be asked to submit a campaign concept based on a written brief.

PRINZ is also renewing its approach for a share in Government-funded publicity programmes. The Institute's annual report states that representations had been made to the Minister for State Services asking for opportunities to compete for public service campaigns, particularly those regarded as PR rather than advertising subjects.

Anatomy of an ad campaign

THE 1978 Montana wines advertising campaign, continued this year we observe, represents a breakthrough from the painfully traditional approach used by most wine-sellers in the past. Featuring testimonials from European wine experts, it challenges widely-held opinions of New Zealand wines as poor relations of their European forbears. And in the process, carves out a special position for Montana.

SSC & B: Lintas was appointed to the account in December 1977, knowing next to nothing about wine consumers. What research told the agency about the wine market, how it planned to position the product, the throes of creative endeavour, the testing of the creative concept and the final mounting of the campaign are all recounted in an agency promotion piece (more respectfully "a special case study report") entitled in 1978 Montana Campaign.

It's a well-compiled, well-written documentation that lifts the veil on agency methodology for the layman, and will earn a grant of approval from the pro for its agency gut-feel.

Flying for fun

CONTINENTAL AIRLINES hit the New Zealand travel market with talk of \$100 fares from Honolulu to Auckland. Continental regional director Bill Clague emphasises that Continental was not entering the New Zealand market to compete; it was spending \$1 million a year to promote the Pacific in the United States and 70 per cent of the passengers coming down from the States were expected to return with them, leaving only 30 per cent of the load to be picked up in New Zealand.

Cheap fares? They were still being negotiated. But Clague said he expected them to be in line with those charged by Air New Zealand and Pan Am — a blow to hopes of cheap fares.

Rather than compete on fares, Continental was positioning itself in the market as the "fun airline" with the motto "we move our tails for you".

There was little said at a marketing policy meeting the other day that would upset national carrier, Air New Zealand. Instead, Continental went out of its way to conform to the New Zealand way of doing things.

Take for example the Continental ad (above left) run in Australian trade magazines in March. This ad would not be run in New Zealand.

Continental ad man Noel Rugg, from WHT Advertising and Marketing Ltd, said he advised Continental that about 5 per cent of people in this country would mis-read it.

"We are the fun airline. In Australia one can have a bit of fun with a bit of boric acid but not in New Zealand," Rugg said. "We won't be doing knocking copy in New Zealand," he said.

Knocking copy, according to the Newspaper Publishers

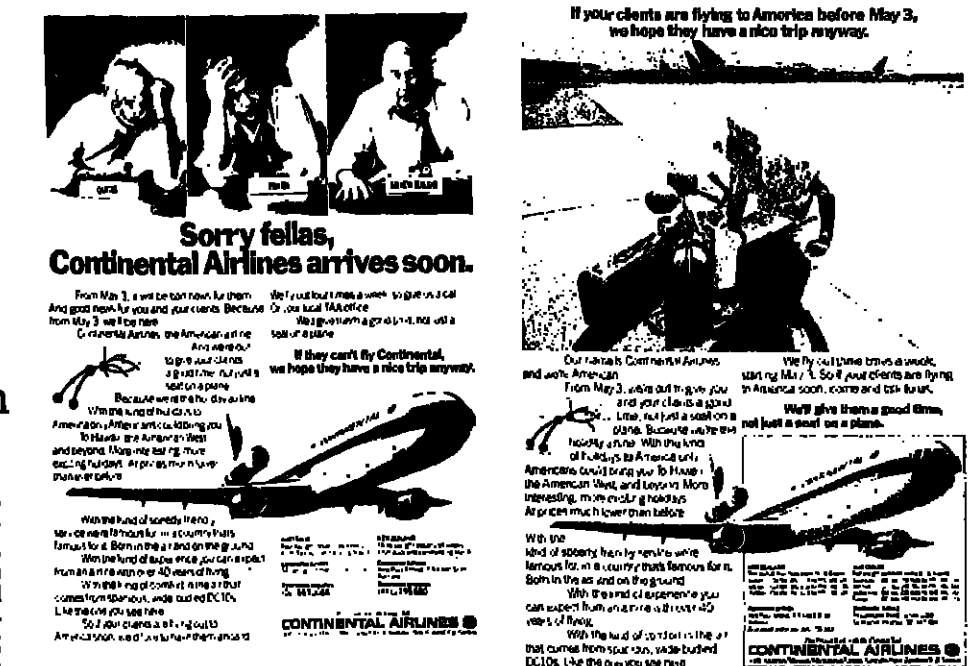
Association, which prohibit its use by member papers, refers to advertisements that compare the product advertised with its competitors or knock the competitors. One can't even say one make of car uses less petrol than brand X, even if it is true, according to the knocking copy rule.

The second ad (below right) has been placed in Australian and New Zealand trade press. A modified version will be

available for public consumption.

The major selling point made by Continental was that as its passengers can be cleared through customs and immigration at Honolulu, they can avoid the hassles of clearing through Los Angeles airport.

It all seems a long way from the brave competitive thrust promised by Continental some months ago.



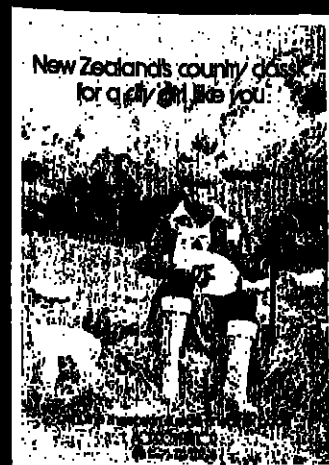
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That's how we like to think of ourselves. DB Travel Hotels have made friends with a lot of families travelling through the country. And they keep coming back. Maybe it's because we believe there's more to staying at an hotel than clean sheets and a colour television. Like the courteous service, understanding staff — and little things we do to help you. Our telex system enables us to provide you with instant accommodation confirmation, throughout New Zealand. And that can make a lot of difference, especially when you've got a family to consider.

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Repeal of travel tax

I WISH to congratulate you on your March 7 NBR travel tax article by Duncan Campbell and we hope that this may be the first of many such articles on this and other related travel industry questions.

My association supports the repeal of travel tax as we believe it is having a very detrimental effect on New Zealand tourism in general. It is very difficult to prove that New Zealanders are purchasing their travel overseas, however, we have reports coming in from our principals that there are increasing numbers of New Zealanders purchasing one way travel and using their overseas travel allowance or credit cards to purchase onward travel, tours and return travel.

One of the main reasons we believe for this increase is the New Zealander's desire to avoid paying travel tax and if this is true then Government is losing considerable revenue as mentioned in Campbell's article. Our national carrier, Air New Zealand is placed in a very difficult position and is not only losing revenue, but at the present time, is placed in a very difficult position in negotiating low cost fares as the 10 per cent travel tax must

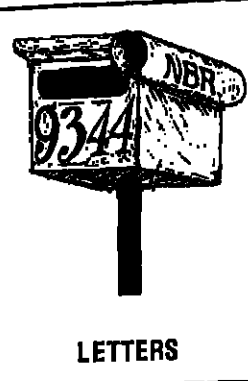
be taken into consideration in the negotiations with larger overseas based carriers. From the view point of TAANZ, our members are losing business to overseas agents or airlines which means that commissions are being lost to New Zealand and there is a real possibility that our members will not make the taxable profits they could make and as a consequence of this, the employment opportunities in travel could be affected.

Peter J Lowry
Executive Director
Travel Agents Association

Wage/profit policy issue

MAY I comment on the reviews of my paper — *Wages and Profits: Some Policy Issues*, NZIER, October 1978.

Mr Campbell says (NBR February 21, 1979) referring to my advocacy of a "Swedish Model" approach and conclusions for New Zealand "that labour costs have risen excessively threatening profitability, equity investment and finally employment" and that "at one level the observations are correct enough". As that level



LETTERS

seems to be the one of conventional economic analysis I am happy to leave the matter there. His other comments contribute neither specific rebuttals of my analysis, nor a coherent alternative analysis of the economy, in relation to employment, labour costs and profitability.

Mr Turkington has, similarly, not argued with the detail of my analysis, and the paper's conclusions but rather he suggests: that I don't pay enough attention to taxes on profits, but where such data was available and relevant I did include it (eg table 1, table A4) and was careful to be quite specific in the text and conclusions (eg P25).

"The RBNZ data show that for public companies the ratio of pre-tax profits to total assets declined after the early 1970s, although this was offset,

in after tax terms by the declining effective tax rate."

That I have done no more than to spot a cyclical variation, but without offering evidence to support his case. There is evidence of shorter cyclical patterns in wages and prices, but my data indicates (fig 5) what looks like a secular trend, from 1970-1975, with no evidence of any cyclical or other comparable pattern between 1950-1970.

That I missed much of "the point" by not focusing more on farming and its declining share of national income. It was shown (table A4) but was given little attention because, given farming's small share of the labour force and especially of salary and wage earners, it is not of great direct importance to my arguments.

Like Mr Turkington, I have no doubts about the importance of the farm sector for the viability of New Zealand economy, and I have addressed the question elsewhere (eg *The Possibility of Economic Growth*, a paper to the Manawatu Economic Society, March 1978) but it was of little direct relevance to the arguments in question, although they clearly have major implications for the future of profitable farm production and exporting.

The reviewers have not mounted a telling attack on my arguments and conclusions, but have declined to agree with

them or to suggest alternatives. How does that contribute to informed debate and better policy recommendations? I did set out, the "aggregate demand" and "real wage" policy alternatives, with reasons for the direction of my conclusions. This key element was not even referred to.

T K McDonald
Director
Institute of
Economic Research.

Ad agency specialises

"WITHOUT a Word of a Lie" (March 7) contained at least two classic inaccuracies.

The first is that Dormer Beck Stuart Wearn was second contender for the "about to be dumped" National Party advertising. The inaccuracy here is that Dormer Beck Stuart Wearn no longer exists. It has, in fact, been replaced by a new company, Dormer Beck Campaign.

The second inaccuracy is that the agency, even with its new name accurately recorded, is on the list of contenders. We are not. Even without Coleman's experience, we know that election advertising is a serious

disruption to normal business. Our clients are with us year in and year out, certainly don't change sides every three months while the key agencies get caught in the electoral politics and electioneering. I am sure that if Coleman prepared to back a standing client with his now stacked agenda I also have a surplus of an inaccurate idea from Coleman's point of view. McCann, Erickson, ideal contender. A McCannised message probably just the National Party needs who better than Big advertising exercise that you last suggest that advertising is.

Tony
Dormer Beck

Surplus cash in horses

FEW would disagree that the horse industry is experiencing a recession, the worst in its history. Unemployment is at the internal deficit: the Opposition leader's early session of P22 deal with the economy. Prime Minister: restructure the economy.

And yet there is a more affluent society than ever before. The ownership of racehorses and the clubs are more numerous than the clubs are; increased from eight to nine to 10, and the divisions up to 12. And logical progression: race meeting, consecutive days, even including Sunday.

It is not to be surprising that the racehorse owner can expect a return for his money. Country, racehorse to buy, and it can train a horse to Government. Government's superannuation. An owner's expected return, firstly the horse get a race, which is then only about 10 per cent show a profit. So why do these racehorse want a winner?

I put it to you as a running pole and surveys that you are these racehorse why do they buy and do they care for not their horses races and once there money? Incidentally, not a recent phone has been increasing last 10 years, and reached such proportions racing journalists in it the subject of horse so far have produced.

What, however, there is a great people with a large surplus money, country as a whole straits — or so it

EMA: trying to crack small poultry farmer?

by John Draper

SMALL poultrymen are demanding a Government inquiry into the Egg Marketing Authority which they claim is trying to force them out of business.

Faced with a massive and continuing egg surplus, the authority has been imposing mandatory and "voluntary" restraints since 1970.

But the small poultrymen, who intend putting their case soon to Agriculture Under Secretary Rob Talbot, are willing to risk an open market rather than put up with the authority any longer.

The authority has been automatic and prepared to use the courts to back up its sanctions against uncooperative producers.

Over the last eight years, the authority has persuaded poultrymen to reduce the number of laying hens from 4.5 million to 3.2 million, forcing more than 600 poultrymen out of business in the process.

But the authority is still unable to stop a surplus being produced.

Now it wants to cut production by two million dozen eggs a year, leaving a working surplus of six million dozen.

Egg producers have been their own worst enemies, finding every loophole in the authority's restrictions to boost output.

In response, the authority



ROB TALBOT... assurances

has been welding, with Government backing, a legal coop leaving producers little room for manoeuvre.

Talbot let the fox into the henhouse at the poultry farmers' conference in Ashburton.

He told delegates the time for regulation was over, and that poultrymen should get in line with the Government's realisation that competition is the only way to inject life into a flagging economy.

In words that would have cheered the small producers, he slammed the authority's marketing policies as "abysmal".

"The consumer does have a choice," he said in speech designed to give producers something to peck over. "He can either buy your product or not buy it."

Efficient production was useless if the product could not be sold, or was not what the customer wanted, he said.

Small egg producers' secretary and Wairarapa poultryman Roger Hamlin says the authority's advertising campaign went off long ago.

"All they have ever done is plug the 'Eggmonds' line with Christchurch baking powder makers Edmonds."

He claims the authority's export performance is no better than its domestic promotion campaign.

"I came back from Hong Kong with an order for 250,000 dozen fresh eggs a fortnight, but the authority laughed."

The authority's general manager, Goen Kermode, says it is easy to be critical when egg sales are falling, as they have been over the last three years, partly due to the migration exodus. Few people now "go to work on an egg", and the breakfast market has tumbled by 12 per cent. Fast foods are now eating into the market eggs once dominated as the ready standby.

The market has now stabilised and is showing signs of recovery.

"We realise that we have not been as succinct as we might have been in our promotion but we have been spending more on advertising over the last two years," Kermode said.

Hamilton will be urged to eat an egg combo or two or three in a three-month campaign to be launched soon. If successful, the promotion will go nationwide.

Kermode is not sympathetic

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towards the small producers. If medium-size producers have found it uneconomic—and the number has dropped from more than 1000 to 437 in eight years—then there is little hope for the small man.

Big producers now dominate production.

Around 290 poultrymen with fewer than 1000 hens produce 5 per cent of the eggs marketed by the board; 437 produce the rest. In 1970, there were 1000 units with more than 1000 hens. Now every unit with more than 100 birds needs an entitlement—a licence to operate, setting out the maximum number of hens to be kept. After a mandatory cut, the authority is requesting a "voluntary" reduction in flock numbers by 15 per cent. Those not complying—and the authority claims only 2.2 per cent are not—are being ordered to pay \$3.50 a chicken a year levy. Several producers have already been served court summonses for refusing



FEWER EGGS FOR BREAKFAST... uproar in the henhouse.

The price a producer receives is an average worked out on a weighted sample from

three broad categories, under 1000 hens, medium sized, and large.

In effect the small producer helps to keep the larger producers' price up, while falling far short of his own breakeven point.

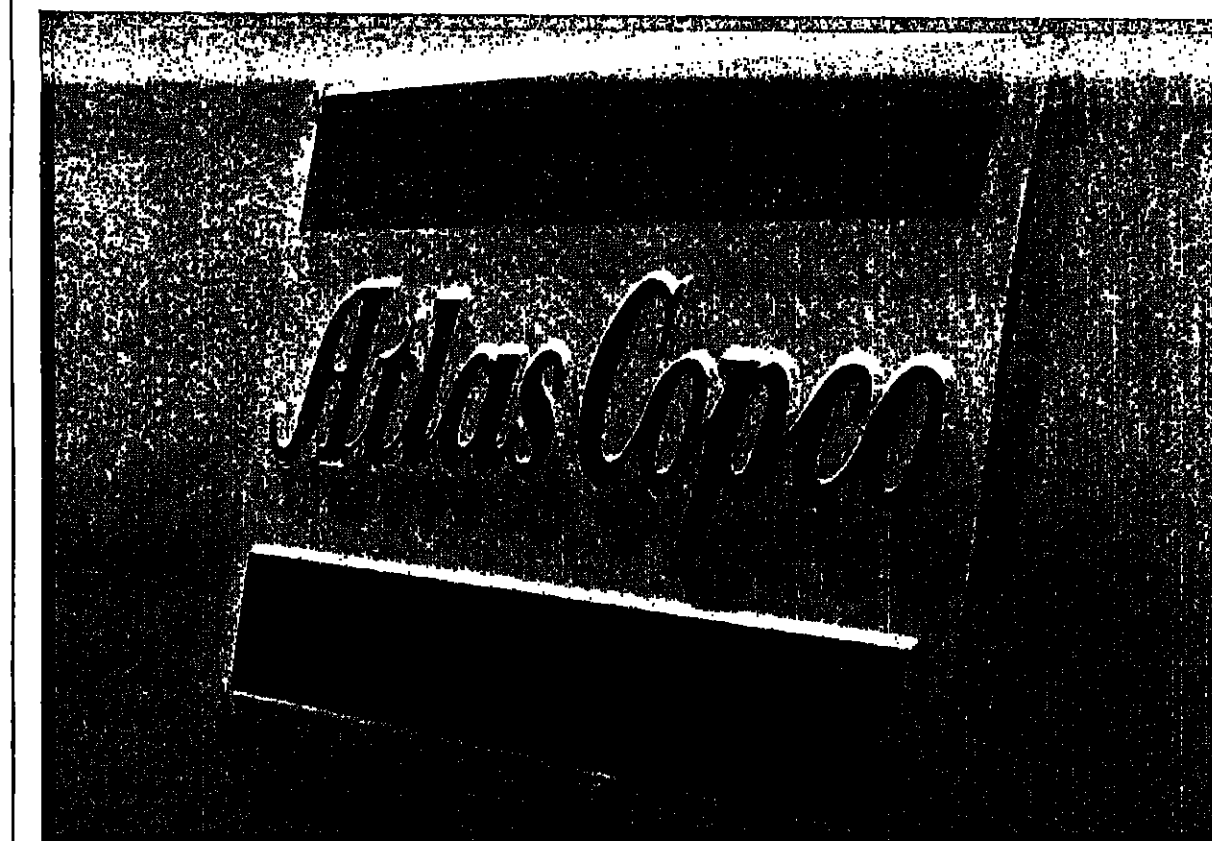
Gate sales, where the authority allows, at 12 cents to 16 cents a dozen up on the official prices, are keeping the small producers alive.

The authority is not eager to give up its powers, which are almost total over commercial egg production.

But it is prepared to concede that there is some scope for relaxation, in line with National Party's realisation that competition has to be restored to the ailing economy.

And the mood may be extended to other areas, though Talbot has assured the Egg Marketing Authority there will not be any legislative compulsion to back up the Government's wishes. Talbot has indicated that restrictions on rabbit farming may be lifted, allowing poultry farmers to diversify.

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Optimistic projections predict 400 per cent rise in jobless by 1986

by Warren Berryman

CALLS for economic restructuring provoked the predictable knee-jerk reflex from the Manufacturers' Federation. Abandon import licensing, and the economy would be cast into dark disarray with thousands unemployed... or so the manufacturers would have us believe.

It was not so long ago that we were being told that the major impediment to growth was over-full employment with cheeky workers who could go next door for a job if they didn't like their boss.

But now, with 50,000 unemployed or on special work schemes, New Zealand's productivity has dropped to zero and GNP growth to less than 1 per cent.

Rob Muldoon has adopted a know nothing - do nothing stance, attacking the economic intelligentsia rather than attacking the country's problems.

Muldoon has made one minor concession to the

reformers. He will drop price control. But that move was so obvious one could only ask why he took four years to do it.

New Zealand plods on as before, failing to grasp the bull by the horns in our moment of crisis.

But maintenance of the status quo is unlikely to hold unemployment even to the prevailing unacceptable levels.

Given the most optimistic projections, based on present economic performance and economic structure, the current level of unemployment will increase by more than 400 per cent by 1986.

Population growth is almost static due to a decline in the birth rate, (down 14,450 from a peak in 1961), and a 26,708 net migration loss (36,972 immigrants arrived last year while 63,680 people left the country).

Statistics department projections predict an increase in population from the present 3,146,000 to 3,309,000 in 1986.

One might go further than

the statistics projections and predict that due to New Zealand's growing economic unattractiveness, net migration losses might lead to zero population growth for the next seven years.

But this does not imply a lower number of people seeking jobs. The population might remain the same but the proportion of the population seeking jobs will be higher in the next 10 years than in the past.

The New Zealand birth rate rose to a high plateau from 1961 to 1972. The issue of this baby boom is now reaching employable age, (see graph).

A further factor is swelling the ranks of those seeking employment. Due either to changing social mores or economic conditions, an increasing number of women are now joining the labour force.

Thus, in spite of the zero population growth, the labour force is likely to grow at about 2 per cent a year.

This growth is not out of line with growth in the past. But in

the past, job opportunities kept pace with increases in the labour force. In fact, New Zealand had to supplement the natural growth in the labour force with immigrants in many years.

During the period up to 1976 growth in the New Zealand economy was about 4 per cent. It is now less than 1 per cent.

If it can be assumed that the future will be like the past, future growth will depend on the balance of payments situation. Past expansions have always been brought up short when imports of raw materials and capital goods exceeded our export earnings.

If past is prelude and the Planning Council is right, to achieve a 3 per cent growth it would be necessary to increase exports by 5 per cent a year.

A 4 per cent yearly increase in GNP would probably provide sufficient employment opportunities for the growing labour force.

But real exports have levelled off after a dramatic rise in 1976-7.



Without a job in seven years

Given the full in exports and the low growth in GNP, one might project in classical economic fashion that the number of job opportunities will remain static until 1986 by which time the labour force would have risen to 1,489,000.

The present labour force is 1,305,000, of which about 50,000 are unemployed. The 1,255,000 job opportunities now filled will, thus remain constant. But there will be 1,489,000 seeking employment in 1986 leaving

234,000, or 15.7 per cent unemployed.

This dire prediction is based on the assumption of employment opportunities grow out of increased capital investment and capital investment will be inhibited by balance payments problems brought about by falling or exports.

While these assumptions are held true in the past, they are no iron economic law.

that past will be the prelude for the future.

Production could be increased without an increase in fixed capital investment, with its associated balance of payments wrecking level of imported plant.

The most outstanding characteristic of New Zealand manufacturing, is its overcapacity. Few firms run their plant at more than one shift a day or operate on more than a five day week. This low utilisation of fixed capital pushes up unit costs of the products, especially since interest rates and exchange losses on the capital to finance that plant are higher in New Zealand than for our foreign competitors.

Many local industries could treble production with no increase in fixed capital, and at the same time treble employment opportunities, if they could sell the extra production.

But there is little incentive to follow this attractive option. Protectionism guarantees high profit levels for goods sold on the domestic market. Increased production entails a real competitive struggle on world markets. It is far easier

to work one shift, take half day lunch hours, golf on Tuesdays, sail on weekends, and produce for an uncomplaining domestic market.

As long as the manufacturer has friends at Trade and Industry and/or a powerful lobby, his cosy existence is assured. For some reason the consumer, who is forced to buy his goods at two to three times the world price, never complains.

Even the Manufacturers' Federation, in their August 1978 Market Intelligence Report, admit that the reason for the fall off in exports is due to New Zealand manufacturers being priced out of world markets.

New Zealand has a highly educated and skilled workforce (by world standards) and pays them low wages (by Western world standards).

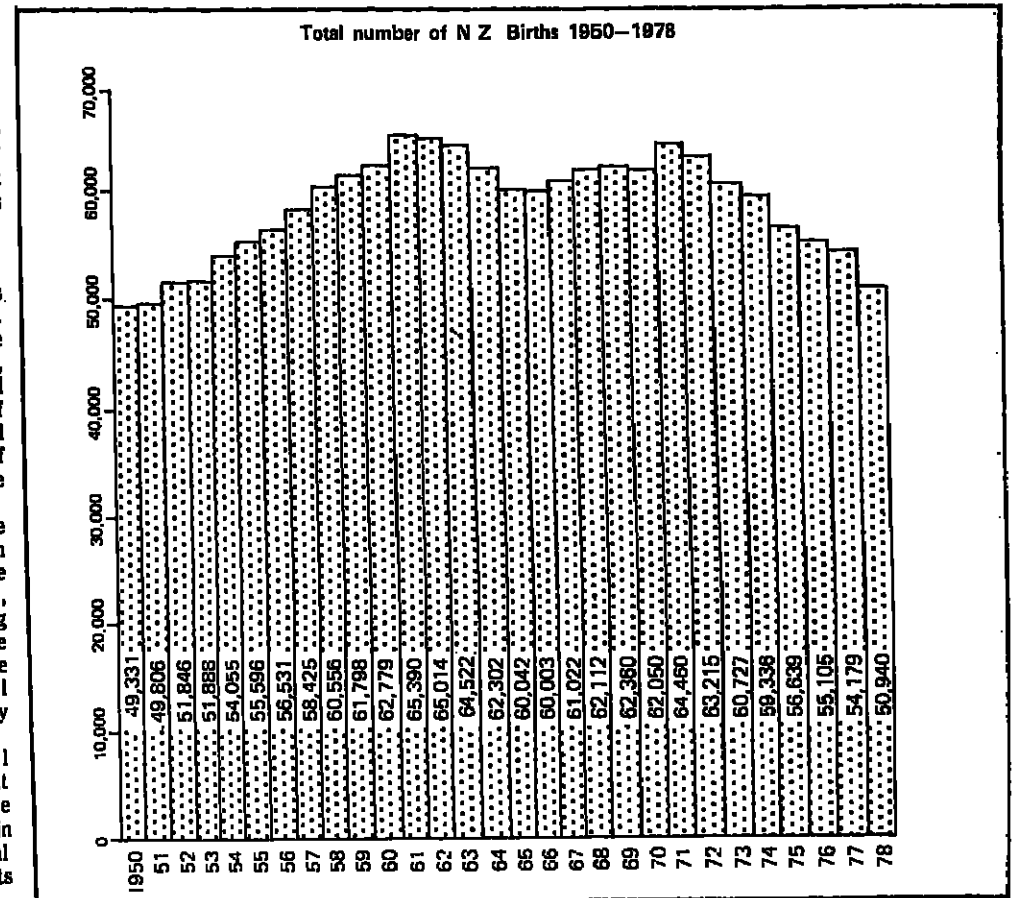
Barring cases where huge economies of scale are needed to remain competitive, the New Zealand manufacturer should be competitive on world markets. But many are not, and those that are being dragged down by the whole protective structure of the New Zealand economy;

shipping cartels that push up freight rates, protection of other manufacturers that pushes up the cost of his inputs etc.

There is at least one other option open for increasing GNP and job opportunities without large inputs of capital. Labour intensive horticulture such as the kiwifruit industry, or blueberry farming would involve little of the sort of capital input that would worsen the balance of payments but it could provide jobs and export earnings.

Even here, however, the Government's insistence on meddling in the marketplace with producer boards, marketing boards, licensing and other protective monopolistic inhibitions to free market forces could curtail enthusiasm for and efficiency in these new industries.

Barring fundamental changes, in Government approach, new horticulture ventures are likely to follow in the path of the traditional farming industry to low profits and falling production.



Job ads don't draw dole collectors

by Julie Molloy

ALMOST 1600 people are collecting the dole in Wellington - but few of them have been applying for unskilled jobs advertised in the city's morning newspaper.

A Labour Department spokesman said that nearly all the 1573 registered unemployed were unskilled.

On one recent Friday, Wellington's morning daily The Dominion advertised positions for at least 21 jobs which required no previous skill or experience.

Investigations into five of the advertised positions suggested that few of the unskilled workers on the benefit were actually applying for jobs.

Costes Bros (NZ) Ltd advertised for a general hand and received 17 applications. Only seven of the applicants were unemployed.

Factory supervisor John Lurch said he realised there were many genuine unemployed on the dole, but he felt that "as the Labour Department admits", there were people around who should not be on it.

He said some people applied for jobs knowing that they would not get them so they would have reason to stay on the benefit.

Another position, for a junior shop assistant at McKenzies Ltd, received six applicants. Only two of them were unemployed.

Only 15 unemployed applied for three jobs advertised on a recent Thursday - housemaid/waitress, storeman and cake shop assistant.

The Wellington District Superintendent of Labour, L J

Cope, said most of the unemployed were young and unskilled.

He said there were job vacancies, but nearly all of these were for skilled workers.

Employers were becoming more selective, Cope said. They were demanding conditions of employment such as previous experience, skills and more mature employees.

Many also did not want applicants with criminal records.

This left many of the unemployed unable to meet the conditions he said.

Penny Dover, assistant manageress of Access Personnel Employment Agency said unemployment was not as serious as the media made out. Many unemployment beneficiaries, were not trying to get work or were "too fussy" about jobs, she said.

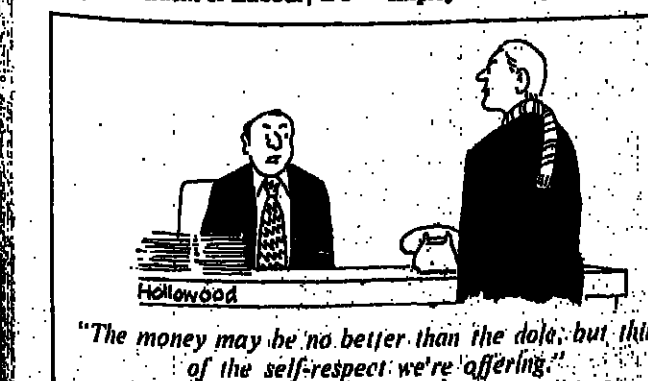
Many unskilled workers still wanted a "fantastic" job despite the fact they had no skills to offer.

Dever said that many school-leavers were not prepared to resist public examinations such as school certificate to give them backing. They would rather be unemployed than repeat a year at school, she said.

But the employment agencies we contacted usually dealt almost exclusively with skilled workers and found a large demand for most skilled occupations.

There appeared to be a shortage of office personnel, particularly shorthand-typists and secretaries.

T Roberts, managing director of Job Centre, said he found few unskilled workers applied to the agency for employment anyway.



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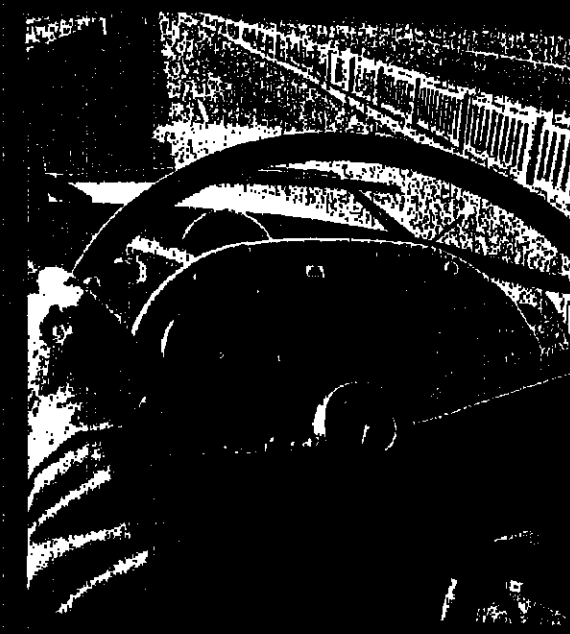
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Two channels, one channel: any lower bids

by Bute Hewes

FEW TEARS were shed for the old New Zealand Broadcasting Corporation when, just four years ago, on March 31, 1975, it passed quietly away. Nobody loved it any more.

Instead, we would have three bright new corporations — one for radio, two for television — and we were promised they would be free of the leaden bureaucracy that had weighed down old-style broadcasting. It sounded exciting.

Yet, with the fourth anniversary of that big upheaval, is broadcasting really that much better? Radio has lived up perceptibly, but television is still in a pickle. Such a pickle, indeed, that it has been subjected to one administrative adjustment after another, the latest of them announced only a few weeks ago.

To cap it all, the Prime Minister has opened up the possibility that the second channel might be closed down or sold to a private buyer.

The seeds of today's television problems were sown early in 1973 by Roger Douglas, then newly appointed Minister of Broadcasting in Norman Kirk's Government.

Only a few weeks after starting that job, he arrived at a meeting of the Broadcasting Corporation and announced his plan to wind up the NZBC and establish a new structure.

It shocked corporation members, sitting in their Bowen Street boardroom, for there had been no previous discussion with them, no inkling that this cut-and-dried plan was to be tossed at them without debate.

But television producers and programmers welcomed it with a whoop of joy. They saw Douglas as the man who would overthrow the bureaucratic monster the NZBC had become and lead them to the Utopia they had dreamed of.

The intention was to emphasise that the people who really mattered were those concerned with programmes, and that the administrators

should be their underdogs, not overlords as in the old NZBC. New directors-general would be men with practical on-floor production experience, not bureaucrats. That promise was kept when the top jobs went to Alan Morris and Allan Martin, both popular and respected among producers.

The general understanding was that they would start from scratch, hand-picking people they needed in their teams and ensuring they would not be top-heavy with bureaucracy, like the monolith they were replacing. Staff levels would be kept lean and efficient. It did not work out that way. Instead, jobs had to be found for everybody — yes, everybody — on the NZBC staff, whether or not they were worth keeping.

There were cases where jobs and titles were artificially created for the very officials whose weight had made the old system so cumbersome and dull. There was no way to discard them; the Public Service Association saw to that.



ROGER DOUGLAS... tried overthrowing the bureaucratic monster.

This was something the Douglas plan had apparently failed to take into account. It was a major flaw which dashed hopes of shaking off the public servants and leaving just the bona fide broadcasters to get on with their job.

TVI came off best in the reshuffle. Most producers were in Wellington already and wanted to stay there to use

the fine new studios at Avalon. Besides, TVI went into operation three months before TV2 was ready. That gave the second channel a lot of catching-up to do, and it has never quite managed it.

The TVI network, using well-established NZBC engineering links, reached into every corner of the nation. TV2 began transmissions only to small chunks of the country, and has added to them bit by bit, but is still not nationwide.

The very name of TV2 made it appear second best. Wisely, it realised this and changed to South Pacific Television, but the "smaller brother" image still lingers.

Both channels were set the task of being competitive and complementary. That has proved impossible. The two aims are incompatible.

Competition inevitably meant a race for ratings, staking all programming policies on enticing viewers from the rival. That objective has taken so much precedence that it has swamped the aim of being complementary.

It was principally to improve this particular aspect of television that broadcasting chairman Ian Cross has decided on a new relationship between the channels.

His re-organisation will bring better pooling of production resources, to make them more economical and effective, and better co-ordination of programme schedules, to make them truly complementary.

It is a good scheme and it will work, but it will not solve all problems. For Cross made it clear that all jobs would be protected, with no redundancies.

He was right, up to a point, to give that assurance, for nothing saps the morale of television staff like the fear that their jobs may one day vanish in a periodic restructuring.

Yet over-staffing, many broadcasting people themselves say, is still the root of television's troubles. There are too many unwanted people cluttering up the channels, with nothing to do but create



IAN CROSS... tries policy resources without redundancies.

paperwork that slows to a whole pace of television life to dull.

Only the Prime Minister has been brave enough (or maybe rash enough) to suggest saving on wages and salaries by closing down the second channel.

That might be too drastic. Viewers, for all the grumbling feel they are now entitled to two channels and would be terribly resentful having one snatched from them.

It would certainly be unacceptable to the Public Service Association, which would insist on saving the jobs of all present staff.

Selling the second channel to private enterprise is another possibility. There are interested potential buyers, but they would need an assurance of no interference from the PSA to force them to make inflated staff levels.

Otherwise, there seems a way to reduce staff and on the basic problems, other than the long-term "sinking" method, ensuring that those who resign, retire or die are not replaced.

Adjustments and structural changes are not over yet, but by a long way. Four years of tinkering have not got the system right, and all indications are that current Government thinking is the biggest changes of all are still to come, perhaps quite soon.

Glasshouse exports head to \$280,000

by Warren Berryman

AUCKLAND-based Melville Garton Products Ltd. in just three years, has become the biggest producer of aluminium-framed glasshouses in Australasia.

General manager Tim Johnston said exports in the second year of operation were \$98,000 and this year will exceed \$280,000.

Most of these exports go to Australia. But there is a problem on the home market. Johnston said he had to pay double the Australian price if he bought the glass in New Zealand. So the company exports only the frames and its Sydney-based subsidiary buys the glass in Australia.

The New Zealand glasshouse buyer has to pay as much for locally produced ones as the Australian.

The sole supplier of window glass in this country is New Zealand Window Glass Ltd. of Whangarei. It is protected against competing imports by import licence.

But it exports to Australia. It would seem that it is not to compete on the Australian market, New Zealand Window Glass would charge the New Zealand consumer. New Zealand Window Glass accountants K G Gill declined to comment on prices, except to say that the company's prices were "under strict Government control."

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Labour society leads face bob-a-day fines

by Rae Mazengarb

THREE Labour Party-administered incorporated societies will be asked to supply information on their accounts to the Justice Department's Commercial Affairs Division.

An inquiry shows that two of the societies have filed no returns since their incorporation in 1976. The third supplied seven years of accounts all at once in 1978, but has filed nothing since.

Some Labour Party members have said they are unaware the societies exist, and that they thus have no knowledge of their activities.

Others, whose names on Company Office records suggest they are supposed to



THE LAW

administer the societies, were unwilling to discuss them and explain the failure to comply with the law.

Incorporated societies are required by law to file annual returns to the registrar.

If a society is in default, the registrar has the power to wind it up. According to the Act, every officer is liable to a fine of "one shilling" for each day the society remains in default. (It is understood the Incorporated Societies Act is due for updating shortly.)

The three societies which are behind with their returns are Labour Party Properties Incorporated, the Labour Party Supporters' Fund Incorporated, and the Wellington Labour Club Incorporated.

Labour Party Properties was incorporated in 1976 and has its registered office at 101 Vivian Street, Wellington. Apart from the rules of the



ARTHUR FAULKNER... initial member of Labour Party Properties

society, and members, no other details have been filed. The 15 initial members recorded on the file include Arthur Faulkner and Bob Tizard.

The subject of Labour Properties had provoked vigorous discussion at the party's Regional conference, according to one of the trustees, Ted Keating. But he was reluctant to explain further the activities of the group of societies.

Party secretary John Wybrow would be better able to supply information, he said.

One Labour Party member expressed concern to National Business Review over the lack of public information regarding the societies.

He said he had been unaware of their existence until it was suggested at the conference, — "by a New Zealand Council remit" that Labour Properties take control of all Labour Party buildings.

He claimed many other party members had been as surprised as he was, and because no papers had been furnished to explain either the society's activities or financial situation, the remit had been rejected.

The Labour Party Supporters' Fund also was incorporated in 1976, but aside from the society's rules, registered office, and the list of initial members (which includes Bill Rowling and party breakaway Gerald O'Brien), no other documents had been filed at the time of NBR's inquiry two weeks ago.

The Wellington Labour Club — incorporated in 1976 — has more information in its file. It is understood the Commercial Affairs Division had a massive review of all 4400 files in the Wellington District Office around 1976. As a result,



BILL ROWLING... member of Labour Party Supporters' Fund

the society supplied annual returns late that year to cover the years 1970-76.

Gerald O'Brien, Whetu Tirikatene-Sullivan and the late Sir Frank Kitts are listed among the initial members.

The society's secretary, Doug Foy, had recently indicated his resignation, according to executive member Margaret Shields.

The Wellington Labour Club owns property in Vivian Street which it leases to Labour Party Headquarters, and which has a 1974 Government valuation of \$81,000.

Justice takes soft line with societies and concentrates on companies

COMMERCIAL Affairs Division head Brian McLeay said the failure of three Labour Party-administered incorporated societies to furnish returns does not indicate the Justice Department's inability to administer the legislation effectively.

Wellington office files "tend to be in a good state", he said. The three societies were linked and a pattern of failure to file statements was evident, but McLeay rejected the suggestion that one staff member could not carry out an annual review of all 4400 files.

He said others in the department were trained to do the work if necessary. McLeay and district registrar, A Berrett, both agreed that these three

societies were not typical societies of the dog, cat or tennis club variety.

The department normally carried out an annual review "as and when we are about to do so", Berrett said.

He emphasised that most societies were run by volunteers, and said the department did not exercise the same degree of toughness when enforcing the Act as it did with companies.

Neither he nor McLeay, nor junior officers within the department, could recall a time when the Act's penalty provisions had been used. Referring to the "one shilling" a day fine, McLeay said no one could pretend the Act should not be reviewed. Berrett rejected the

suggestion that a society could omit to file for 10 years or more without the department realising it.

Company files had to take priority because there was usually little activity within incorporated societies. Many remain "dormant" on the registry.

Since around 1976, annual reviews had been carried out. The procedure was for the department to write to societies and ask them to bring their files up to date and this would be done.

If it had already been done in the three Labour Party cases, that correspondence would not be on the public files. The ultimate penalty would be to dissolve or wind up the society or societies.

Party secretary says incorporated groups were 'more or less dormant'

SOME of the Labour Party's incorporated societies were "more or less dormant," said party secretary John Wybrow when asked if they were still active.

Labour Party Properties had been set up eventually to become an umbrella society to ensure adequate administration of Labour properties, he said. But it didn't get the push it required because of the total preoccupation with the election.

At present, the society was "smouldering" away, but would be revitalised in the near future.

Would it eventually take over the Vivian Street property?

Wybrow said not necessarily — and that applied to the question of the Willis Street property.

The long-term benefits of the society's existence would

not be seen for some years, he said.

The three societies in question are not the only societies connected to the Labour Party.

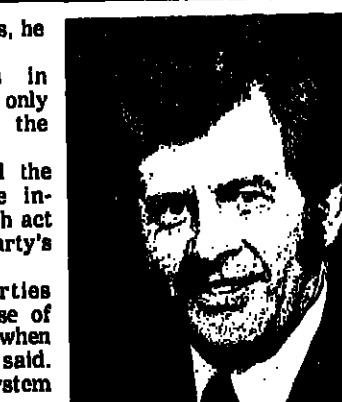
Most branches around the country have separate incorporated societies which act as the vehicle for the party's land ownership.

Labour Party Properties had been formed because of the difficulties created when trustees died, Wybrow said. The present trustee system lacked stability.

According to Wybrow, the existence of the societies had been widely known within the party.

"It disappoints me that a Labour Party supporter should go to NBR," he said. "He has all the avenues in the party open to him."

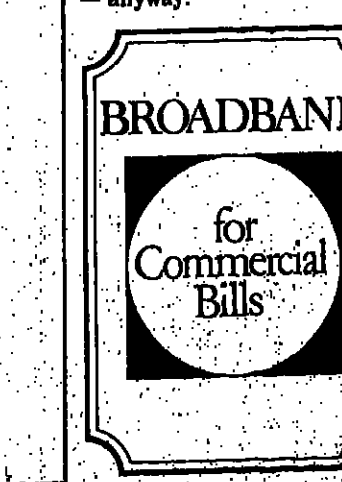
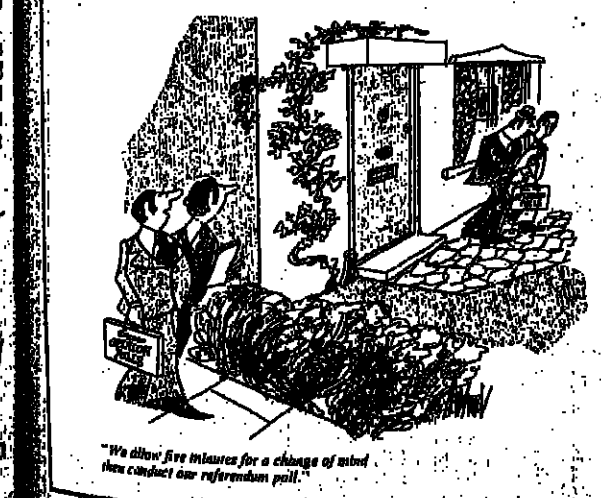
Wybrow expressed surprise at the failure of the societies to



JOHN WYBROW... would be revitalised in near future

file returns. "We were under the impression that they had been filed. We are discussing the matter with those who are entrusted to undertake the duty," he said.

In the case of Labour Party Properties: "It will probably be a nil return — or close to it — anyway."



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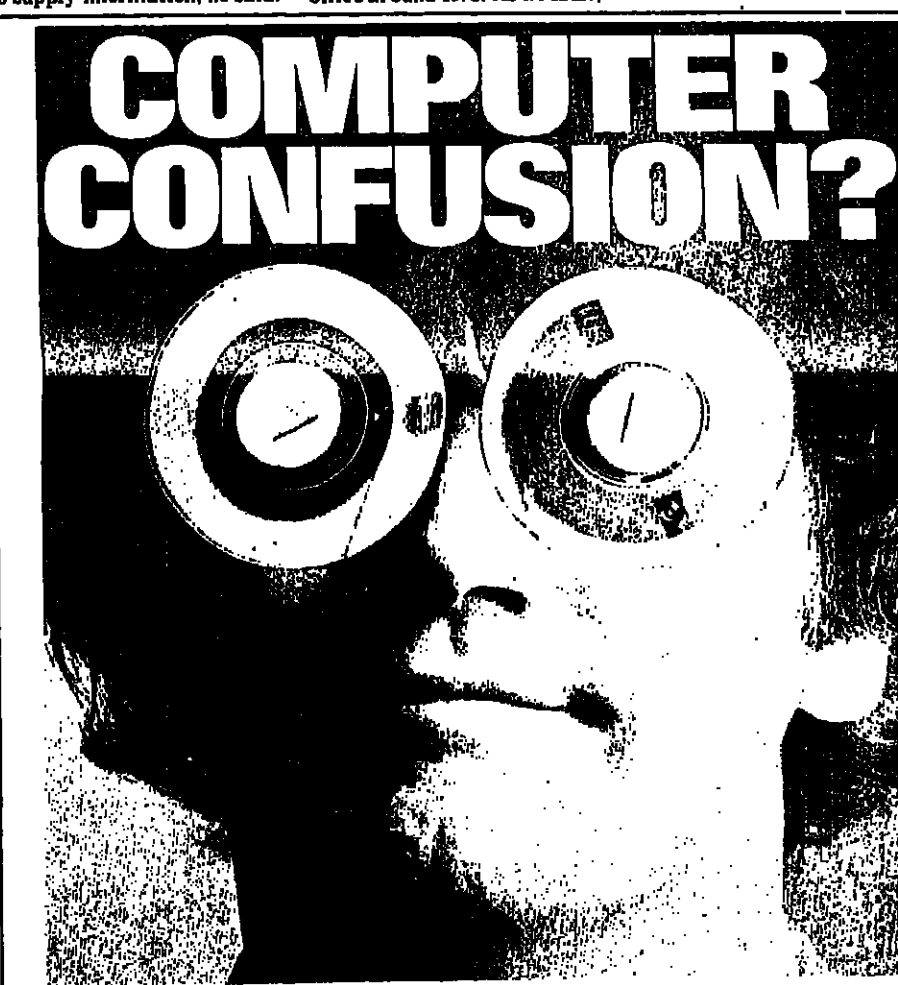
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